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South and East Asia Report

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A CAUTIOUS LEAPING FROM MAJOR INITIATIVES

Feature Company: BUSINESS — FINANCE, INSURANCE, REAL ESTATE
FEB 12 Feb 80 p 6
[illegible] by [illegible]
[illegible]

FURRIES at Jakarta's stately Hotel Indonesia last week must have been somewhat taken aback by the sea of formal-suited gentlemen streaming regularly into the place.

And special they certainly were. After all, it was the first time Indonesia was playing host to the 7th meeting of the Asean Banking Council (ABC), an exclusive and top-level club to which all those diplomatic and jacketed representatives of Asean's banking communities belong to.

Yet, amid those seemingly endless sessions of substituting the lush greenery of Borobudur, the golfing and the long cool dips into the hotel pool, a great deal was accomplished at the last ABC meeting and conference.

The conference, incidentally, completed four workshop sessions — the Asean bankers acceptance market, the joint Asean investment bank, banking education and cooperation with other Asean and non-Asean banks.

The one-day Council meeting in Jakarta on Jan 31 was a smooth session that breezed through with two significant approvals — one for an Asean investment bank and another for the Asean bankers acceptance (ABA) market.

And on the following day, at the start of the banking conference, Bank Indonesia's governor, Rachmat Saleh, sprang a pleasant surprise — giving his hearty support for the ABA proposal and for the joint investment bank.

All these may have tended to add a little sparkle to the biennial meeting. But even then, both Indonesia's official support and the ABC approvals have to be taken with a great deal of caution.

Unless the ABC can, at its next meeting in Manila, translate its agreement into action, its ambitious proposals will be delayed again — as they have been for the past couple of years.

It will take a lot more of practical ironing out of technical constraints — as foreign exchange controls and banking regulations — than just a sense of cohesion to come to a fully 'Asean' implemented project.

To begin with, the ABC's proposals on the ABA market and the investment bank, to be known as the Asean Finance Corporation, will have to be ratified by the Asean Secretariat and the various monetary authorities.

The question here, of course, is will they give as unqualified a support as the Indonesian central bank?

Basically, the ABA proposal revolves around the aim of providing a cheaper source of trade financing for Asean importers. In this way, it is an appropriate tool for the promotion of intra-Asean trade as well as to attract funds from the Asean banking system into such financing.

Initially, such ABAs will only cover trade in goods and products under the Asean Preferential Tariff Agreement (PTA) and for Asean complementation packages.

It will also be denominated only in terms of the US dollar although later, Asean currencies could be used as well.

To induce more investors into the instrument, the Council has agreed that central banks or monetary authorities in the region provide the "lender of last resort" facility for the acceptances.

They should also be willing to accept a certain amount of the ABAs as non-risk reserve assets. In this way, although the yield on the ABA may be relatively lower than other usual forms of trade financing, it would still be as attractive as a normal reserve qualifying asset.

Participation in the scheme is likely to be divided into two categories — those creating the ABAs and those allowed to hold it.

The former is expected to be restricted to Asean-incorporated banks while the latter could include all banks in the Asean area.

Bankers acceptances, or bank-endorsed bills of exchange, are already commonly used in a few of the

Asean countries. But with a joint preferential export financing scheme, intra-Asean trade can receive a very big fillip indeed.

Several obstacles, however, have yet to be cleared before an actual implementation can occur.

Aside from the necessary official support, the ABC will have to deduce an optimum yield that will both lower the cost of financing as well as attract bank investors in all the five countries.

Also, a host of regulatory constraints in each country will have to be carefully considered before the ABA becomes a viable instrument.

Apart from Singapore which has both the adequate infrastructure and absence of forex controls, the other four members' ABA system could be hampered by limits on foreign exchange borrowing and other administrative rulings.

Indonesia is prepared to consider adjusting its 15 per cent reserve requirement on foreign currency borrowing and its 10 per cent withholding tax on such borrowings.

But restrictions on foreign currency receipts and borrowings still exist in Malaysia, the Philippines and Thailand.

To set the ABAs on a firm and successful footing, there will need to be a significant and rapid amount of cooperation between the private banking group and its official guardians.

As for the Asean Finance Corporation, it is an interesting project that could spin off a fine web of investments in the area. Acting as a conduit for overseas funds as well, it is coming at an opportune time when Asean is fast recognised as the investment highlight of the '90s.

Whether European, American, or Japanese, investors generally forecast economic prospects in the region as among the brightest worldwide. All these will mean an important challenge for the proposed AFC which is now tentatively being worked out with an initial capital of US$50 million.

Ideas for the so-called Asean Investment Corporation, for instance, could be channelled into the ABC's agreed on AFC instead.

All these of course is also tantamount to allowing Asean bankers a greater and more direct role in the area's development. As David Sycip, AFC's inventor describes it, such an investment bank — geared towards all aspects of commerce — will represent "the voice of the banking community."

A parallel development is the round of talks held recently in Jakarta, on an Asean-Japan investment fund.

Now dubbed officially by the ABC as the Asean-Japan Industrial Corporation, it is envisaged to form an important supplement to the AFC in time to come.

While the AFC will accommodate a wider scope of financing activities, the Asean-Japan fund will concentrate on those investments or projects involving Japanese and Asean parties.

But it is doubtful whether the Keizai Dyuhai, Japan's initiator of the Asean-Japan project, will readily accept a role that makes it the Japanese arm of the AFC.

ASEAN COMMUNIQUE — SECRETARY CREFARDINE on

Pacific Campus [BUSINESS TIMES, in English, 14 Feb 80, p. 6

[VERBATIM by Tan Siok Choo]

[text]

DESPITE the declaration of South East Asia as a zone of peace, freedom and neutrality, the region has become an arena for three major powers, each vying with the other two, for dominance in the strategic Pacific basin.

The once tranquil waters of the Pacific Ocean have been disturbed by the changing triangular relationship between the United States, the Soviet Union and China. The growing enmity between the Soviet Union and China is paralleled by a gradual rapprochement between China and the United States on the one hand, and by the deteriorating relationship between the United States and the Soviet Union on the other as a direct result of the Soviet invasion of Afghanistan.

During the past few years, Asean has witnessed the fall of the Saigon government, despite the backing of the powerful military and economic might of the US.

The diminution of American influence after the fall of Saigon allowed the Vietnamese the opportunity to consolidate their position in the Indo-Chinese peninsula, culminating in the march of Vietnamese forces into Kampuchea in December 1978.

The use of force to oust the Pol Pot regime in Kampuchea, a protege of the Chinese, prompted a retaliatory attack on Vietnam by China in February 1979 in order to "teach Asia's Cuba a lesson".

The Soviet intervention in Afghanistan, has heightened the fears of the Asean governments, already unnerved by the readiness of potential combatants to use force as a means of resolving disputes. They have seen the forcible displacement of Pol Pot in Kampuchea by the Vietnamese, and the subsequent "punishment" of Vietnam by China, and drawn the appropriate lessons.

Given this scenario, it is not surprising that the Asean countries have begun to reassess their political situation, and review their defence policies.

Taking a leaf from Frederick II the Great of Brandenburg-Prussia, who advocated a policy of "armed neutrality" in 18th century in Europe, the Asean countries have begun to bolster their armed forces, and increase their defence spending.

The island republic of Singapore announced in August last year its decision to purchase an unspecified number of military aircraft from the US, though it was earlier saying that its post-Vietnam build up had already been completed.

The upsurge in defence expenditure, and the upgrading in the quality and quantity of manpower has been most marked in Indonesia and Thailand, and to a lesser extent in Malaysia and Philippines.

Indonesia announced last year an ambitious programme designed to overhaul its navy completely through the purchase of sophisticated equipment.

The nucleus of its navy will comprise:

- Three 1,500 ton Dutch corvettes, all armed with French Exocet MM 40 guided missiles.
- Four missile-equipped South Korean fast patrol boats.
- Two 1,200 ton submarines now being built in West Germany.

Additionally, Indonesian sailors are undergoing intensive training, presumably to enable them to handle the new equipment being purchased.

The Indonesians have also availed themselves of Dutch naval expertise to map out a logistic support system so comprehensive that it is said to cover every flag and life jacket needed over the next 15 years.

Being an archipelago, with the world's second longest coastline, the navy is expected to play a pivotal role in ensuring the territorial integrity of Indonesia.

Defence Minister General Mohammad Jusuf has announced that Indonesia is stepping up naval patrols in the Straits of Malacca and the South China Sea to reduce the possible influx of Vietnamese refugees.

Whatever the reason, increased naval patrols will also serve as a warning, if needed, of Indonesia's determination to defend its territorial integrity.

Moreover, in response to the increasing use of international waters by the US and USSR warships, Indonesia has decided to stage large-scale war games in the Straits of Malacca and the South China Sea somewhat...s next month. The latter area has acquired a new relevance following the Indonesian decision to go ahead with exploration of an area offshore of

Natuna islands to which Vietnam also lays a claim. Indonesia's general staff has plans in hand also to form 50-60 highly trained battalions armed with new M-16 assault rifles and other equipment, and to teach soldiers both conventional and unorthodox methods of warfare.

In order to beef up its air force, Indonesia is expected to take delivery of two squadrons of jet fighters from the US, as part of its continuing programme to improve the equipment used by all three branches of its armed forces.

According to Defence Minister Ilsu Yusuf, during the fiscal year beginning in April this year, defence spending is expected to reach 1.3 trillion rupiahs ($4.53 billion).

The reason for the defence build-up is as President Suharto put it, to give the country a strong military punch. He said that the present situation in South-East Asia demanded that the Indonesian forces be on constant alert — the first official indication that the build-up was linked to the continuing tension along the Thai-Kampuchean border.

Indonesia will add to its 410,000-strong regular armed forces a large reserve through the introduction of a draft requiring every man above 18 years to serve for a period of time in the armed forces.

As a country sharing a common frontier with both Vietnam and Kampuchea, Thailand faces the possibility of an overspill of the fighting between the two on to its own territory by Vietnamese in hot pursuit of marauding bands of Kampucheans.

A reflection of the gravity of the situation may be seen in the dramatic 17.6 per cent increase in defence spending in 1980 over the previous year. This means that almost 26 per cent of the total budget will be devoted to defence spending.

Moreover, American sales to Thailand have quadrupled since the Vietnamese invasion of Kampuchea, with sales rocketing from only US$100 million in 1978 to almost US$400 million in 1979.

Additionally, it is believed that the US is quietly reassigning military personnel to Thailand under contingency plans in preparation for a possible Vietnamese incursion into Thai territory.

Last year, the US State Department announced that military aid to Thailand will increase by US$26 million, thus pushing total military credit sales for the current US fiscal year to a total of US$30 million. This boost in aid reverses a six-year declining trend.

The US, however, is not the only supplier of military hardware. Thai Premier Kriangsak Chomanan has expressed interest in purchasing British helicopters for use for combat and reconnaissance, personnel carriers and infantry weapons for jungle fighting.

The 200,000-strong troops will be augmented by the formation of five to seven more combat battalions in the near future, as part of a programme to expand its armed forces, police and civilian militia.

The Thais are under no illusion about the challenge of the Vietnamese army, hardened through 40 years of fighting the Japanese, French, Americans and lately the Chinese. In contrast, the Thais have not fought a major war since the 18th century.

Similarly, Malaysia has stepped up its defence spending and purchase of armaments, the main feature of its programme being the $1.4 billion air force base to be built on the East Coast of Peninsular Malaysia.

Minister of Home Affairs, Tan Sri Ghazali Shafie made an announcement in the Senate that three more air force squadrons would be formed, with the purchase of an unspecified number of aircraft capable of defending Malaysia "as well as assisting our friends."

The Philippines has also embarked on its own programme designed to boost its defensive capabilities.

As early as 1977, President Marcos outlined a three point modernisation plan for the navy. The plan encompasses the development of surface defence, detection of subsurface and surface intrusions through medium range patrols backed by fast watercraft and a logistic system, as well as provision for shipbuilding, repair and maintenance facilities.

Speaking at a ceremony to mark the 39th anniversary of the navy in 1979, President Marcos expressed the hope that the United States would help his country to develop a strong navy within the next 10 years, equipped with modern defence systems "credible enough to deter unlawful aggression."

He said the development of the country's maritime capability was a matter of survival, pointing out that foreign aid to Muslim secessionists in the south and to the communists was only possible "through the infiltration of our insufficiently patrolled coastline by surface and subsurface means."

The Philippines, with its cluster of islands numbering more than 7,000 has a coastline twice that of the United States to safeguard.

The reaction of the Asean governments is a result of fears that, with the demise of detente, the region may be inexorably drawn into the conflict among the major powers and/or their proxies.

Feelings of unease have been aggravated by the statement made by Secretary of State Cyrus Vance that the United States has treaty obligations towards Asean, which it will uphold.

While the statement was designed to reassure the Asean governments, the latter are understandably wary of being designated an "American sphere of influence" with all its attendant dangers.

Moreover, in point of fact, the US does not have any treaty obligations to Asean, although it has commitments to assist Thailand and Philippines in the event of an external threat.

The three countries, together with Britain, Australia and New Zealand are all signatories of the Manila Pact which provides for immediate consultation between members about their common defence if a single member is threatened.

However the US has in a letter to the then Thai Premier pledged to "give full effect to its obligations" without prior approval of other pact members. Similar assurances were also given to Manila by the US.

Although Seato (South-East Asia Treaty Organisation) has been disbanded, the treaty is still extant because it has not been revoked by any of its signatories.

Reactions to the suggestion that the Manila Pact be revived have been, at best, lukewarm. Thai Premier Kriangsak said the issue was premature. He added for good measure that Thailand prefers reconciliation to confrontation. He denied a "Bangkok Post" report that Thailand had initiated discussions on the revival of the Manila Pact.

Indonesia's Vice-President Adam Malik in a more forthright statement recalled the death of Seato and derided the possible resurrection of the cold war boast with its attendant military and diplomatic alliances.

President Marcos, as befitting a legally trained man, instructed his aides to ascertain Philippines' obligations under the Manila treaty, and the possible implications for the country of the use by the US of its air and naval bases in Philippines in any armed conflict.

[illegible] shadow across the Indian subcontinent and South East Asia. Several countries have visited a search for some one-time safeguards to protect their territorial integrity.

As the situation has developed, it is not too unfamiliar. [illegible] Wat [illegible] frontier in some also feel directly exposed to the Soviet threat. The Philippines, the Gulf nations and Thailand are in no mood to lose any time.

Among these nations, the temptation is to think in terms of immediate answers, some instant solutions, the kind they are familiar with and which also offer the advantage of being readily [illegible] with the massive military support and China's political backing.

Yet surprisingly, therefore, that land has floated the idea for the revival of the Southeast Asia Treaty Organization (Seato) with military alliance.

For a number of reasons, Pakistan's position will remain somewhat ambivalent. With three of its immediate neighbours — India, Iran and now the Soviet-backed Afghanistan — opposed to any increase of US military presence in the area, the country took and jumped at the idea of a new defence agreement with Washington. Perhaps the country's military junta is studying prospects of extracting the best possible deal with the United States in the course of consolidating Washington's opposition to Islamabad's [illegible] conditions.

It is a very familiar [illegible] prescription. [illegible] Pakistan [illegible] such, for one reason or another, other do not take the Soviet threat so that seriously or discount [illegible] military assistance to Moscow [illegible] country particularly.

[illegible] Pakistan.

India argues with some justification that any massive increase in military assistance to Pakistan from the United States [illegible] pose a threat to its own security. This is [illegible] suggestion but [illegible] Pakistan's [illegible] integrity can be safeguarded against a possible Soviet-backed attack push through the mere [illegible] a treaty. What [illegible] provisions [illegible] to be [illegible].

Islamabad's opposition is based on wider regional considerations than those of India. Islamabad is concerned about the possible impact [illegible] on the Association of Southeast Asian Nations (Asean). It [illegible] survival about the long-term prospects of the region solving its conflicts [illegible] internal and external. Such an approach [illegible] to measures of diplomatic and political consequence of a nature that virtually [illegible] Vietnam [illegible] Cambodia on the Soviet Union. [illegible] steps are done.

Political analysts who share this view make a reservation but also wonder if the revival of a Seato-type military alliance would not give Moscow just the reason it is looking for to extend the membership of the Warsaw Pact to Vietnam and to set up [illegible] of foundation military bases within the region.

Therefore, there is a strong [illegible] against pushing forward [illegible] the strongest [illegible] India, Vietnam and the Philippines. [illegible] Pakistan [illegible] Washington [illegible] with the [illegible] and [illegible] Pakistan.

[illegible] Pakistan [illegible] Washington [illegible] Pakistan [illegible] Washington [illegible] Pakistan [illegible] Washington [

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BINGAPORE, Feb 14

SINGAPORE' oil price increases will lead to worsening current account balances, higher inflation rates and slower growth in Asia this year, Chemical Bank said.

In a report prepared by the bank's economic research department on Asian economic trends, the bank estimated world oil import prices in 1980 will average about US$30 per barrel compared with US$13 in 1979.

Even with no rise in oil import volume, this price increase will have a strong negative impact on most Asian economies, many of which are already burdened with large current account deficits, the bank said.

Japan's crude oil import bill in 1979 was an estimated US$20 billion and should rise to at least US$26 billion this year, assuming no increase in import volume, Chemical Bank said.

Japan imports 99 per cent of its oil needs and imported oil accounts for roughly 60 per cent of its total energy needs.

There are only two net oil exporters in the region, Malaysia and Indonesia, with a large number of countries highly dependent on oil imports for their energy needs, particularly Japan, South Korea, Taiwan, Thailand and New Zealand, it bank report noted.

In Japan, Chemical Bank said the world petroleum situation will have a negative effect on the country's economy in 1980 by restraining growth, fueling inflation and frustrating efforts to improve the current account.

In China, oil production is likely to be stable or increase marginally, indicating that rising domestic oil demand will limit China's oil exports.

While oil exploration in China is proceeding rapidly, it will take several years for new finds to begin producing.

China's oil reserves are currently estimated at about 100 billion barrels with production at roughly 2.7 million barrels per day, while the country is the world's third largest coal producer.

Chemical Bank estimated India's oil import bill for the fiscal year beginning April 1, 1980 will be US$6 to US$7 billion.

While India currently produces about 200,000 barrels per day of crude, oil imports of crude and refined petroleum products to the current fiscal are estimated at 340,000 barrels per day, Chemical said.

Rose will see an estimated US$25 million barrels of oil in 1980, up eight to 10 per cent from 1979 oil consumption levels, the bank said.

This will account for approximately 80 to 90 per cent of Rose's total oil requirements. The country's heavy oil dependence will be lessened when nuclear energy projects are completed but not before the mid-1980s.

This year's oil import bill for the Philippines is likely to rise to US$2 billion compared with last year's estimated US$1.5 billion, Chemical forecast.

The Philippines currently produces about 45,000 barrels per day of crude petroleum, satisfying 17 to 18 per cent of total domestic consumption.

The government has raised its oil production targets and is working towards slowly or even declining oil consumption in 1980.

In 1980, Taiwan will remain 100 per cent dependent on oil imports for its energy requirements, Chemical Bank said.

Oil imports cost the country US$8.5 billion last year and could reach US$9 billion this year, especially if Taiwan is forced to buy oil on the spot market. So far, Taiwan has managed to avoid the spot market through long term contracts.

But until later in the decade, when Taiwan's nuclear energy efforts bear fruit and substantially alleviate the burden of oil imports, Chemical added.

Thailand's annual oil consumption will be 90 to 95 million barrels in 1980, up at least 10 per cent over the 1979 level and represents relatively heavy oil dependency for a predominantly agricultural economy.

Oil imports currently satisfy over 90 per cent of that energy requirements but the key to the country's energy future lies in developing its abundant offshore natural gas reserves, the report said.

Eventually, natural gas is expected to replace fuel oil as feedstock for major power stations and construction of a pipeline to bring natural gas onshore is presently being considered. Imports of subsidised fuel oil from Thailand's oil sheikdom is not likely before mid-1980s.

Reuter

NEPAL-BANGLADESH TRADE TRANSACTION

Kathmandu THE RISING NEPAL in English 9 Apr 80 p 3

[text] Kathmandu, April 8--Trade transactions between Nepal and Bangladesh amounted to 125 million and 347 thousand rupees in the last fiscal year, reports RSS.

Nepal's export to Bangladesh stood at 122 million and 38 thousand rupees while import from that country was to the tune of 2 million and 34 thousand rupees during the period, it is learnt from the Trade Promotion Centre.

Exports to Bangladesh contributed by 14.4 percent to the total overseas export of Nepal and the share of imports from Bangladesh was 0.1 percent to this country's total imports during the period.

Nepal had exported 61 thousand and 436 metric tons of rice worth about 251 million and 864 thousand rupees in the last fiscal year. Of the total rice exports 47.6 percent went to Bangladesh, 11.2 percent to Mauritius, 10.4 percent to Malaysia and 7.8 percent to Singapore.

Nepal's exports to Bangladesh included pulse and railway sleepers. Nepal had imported newsprints from that country during the period.

CSO: 4220

were hastily scrutinized, strikes were banned and slum dwellers removed against their will to distant settlements.

The harsher aspects of her emergency rule lost Mrs Gandhi the elections in March 1977.

This time round, she is expected to return to the economic policies of the mid-'70s, avoiding the harsher aspects of the emergency period.

Mrs Gandhi believes her economic policies contributed to the comparative stability of the economy between 1973 and 1976. In those four years, prices remained relatively stable, industrial and agricultural production rose and the government built up stable reserves of food and foreign exchange.

The new government has said its detailed policies will be evident only when it presents its budget, probably next month. But in interviews during her 48 months in opposition, Mrs Gandhi indicated that she would be pragmatic in her policies.

She did not rule out investment by multinationals or large Indian corporations, both of which were the target of special legislation to restrain their growth and activities before her emergency rule.

Private industry approved of these economic policies during the emergency and the largest government for years to power.

But the other government is not likely to wait for the benefits of these policies to trickle down to the poor who overwhelmingly influence India's elections, the commentator believes.

The government has already announced it plans to revive welfare-oriented programmes which seek to directly help the poor through public investment and fiscal measures.

In addition to welfare and infrastructure measures, the programme also seeks to implement land ceiling legislation redistribute land, free bonded labourers and liquidate their personal debts with money-lenders, raise agricultural wages and develop hand-loomed cloth production.

Mrs Gandhi is also likely to move cautiously and defuse simmering rebellions in Mizoram and Nagaland, India's north-eastern most states where break away groups have been fighting for independence for 15 years or more, observers said.

Her concern is not new. Mrs Gandhi initiated dialogues with rebel leaders in the last years of her previous term and said before the election that she would resume negotiations if she won power.

Her main concern is that these rebellions have given outside powers opportunities to meddle in India's internal affairs, a concern now heightened by the Soviet intervention in Afghanistan.

On the Afghan crisis, Mrs Gandhi's statements have been ambivalent and shifting. Diplomats believe that she is unwilling to condemn the Soviet Union, with which India has a friendship and security treaty.

But while Mrs Gandhi has long been suspicious of the US, she is not likely to have strengthened her trust in the Soviet Union, they said.

The new government's policy has consequently, moved from its initial pro-Soviet tilt, when it apparently accepted the legitimacy of the Soviet presence in Afghanistan, to a more even handed condemnation of the Soviet intervention and outside support for the Afghan rebels.

In the past, Mrs Gandhi has been almost obsessively concerned with keeping India's immediate south Asian region, from Afghanistan to Burma, free from superpower presence.

To further this, Mrs Gandhi's government is likely to take new initiatives to settle long-standing problems with neighbouring Pakistan and China.

In the last few days, Mrs Gandhi has found occasion more than once to assert her determination to remain independent in the conflict in Afghanistan.

"We are neither pro-Russia, nor pro-America," she told her party. "We are only pro-India." Reuter

[illegible]

[illegible]

QUOTAS REMAIN UNFILLED FOR MILITARY ACADEMY CADETS

Jakarta KOMPAS in Indonesian 11 Mar 90 p 9

[Article: "Domiri Nondarman Says We Must Compete to Get Cadets"]

[Excerpts] Maj Gen Domiri Nondarman, commandant of AKABRI [Indonesian Armed Forces Academy], admitted that we must compete with other parties to attract young people to the AKABRI. In the present situation, he remarked, many other job fields increasingly are offering far better prospects to graduates of senior high schools. In giving this information on Monday afternoon [10 March] at the Air Force Section of the AKABRI Complex in Yogyakarta, the commandant noted that no quota set by HANKAM [Department of Defense and Security] has ever been filled. For example, only 261 of the quota of 455 cadets could be recruited for the forces in the last 2 years.

"I invited all senior high school graduates majoring in PASPAI [mathematics and physics] to enter AKABRI," Domiri Nondarman said. He invited only senior high school PASPAI graduates to become cadets because various types of primary HANKAM equipment that have been arriving rapidly since the beginning of this year require specific skills for their operation.

This year, in line with the decision of the HANKAM leadership, a quota of 500 cadets has been established, but it is extremely unlikely that this quota will be filled considering the strict requisites set. There is no chance that the requisites can be lowered once established.

The commandant responded to a question by noting that generally cadets fail the health, psychological, academic, or skills tests. Recently the candidates have been healthier, but they still had problems from an academic and skills standpoint.

Touching on AKABRI cadets who will be commissioned by the chief of state on Tuesday morning in Yogyakarta, the commandant said that there were 257 cadets initially. After the selection and screening process, 236 are graduating and will be commissioned as ABRI second lieutenants. The 236 graduates consist of 101 Army officers, 37 Navy officers, 40 Air Force officers, and 38 police officers.

Eleven cadets did not graduate: two Army cadets for health reasons, one Air Force cadet for academic reasons, and eight police cadets also for academic reasons.

According to the commandant, the cadets who failed to graduate for health reasons will be discharged while those who failed for academic reasons will be given an opportunity to continue their training.

The AKABRI commandant said 30.2 percent of the 216 young officers who will be commissioned come from families of active or retired ABRI personnel. The remaining officers come from families of civil servants and farmers, merchants and private businessmen.

All of the 20 Indonesian ethnic groups are represented among those to be commissioned, and this just makes us even more proud, Bonatio Sondaeman said.

ORIM
CSO: 4211

[illegible]

[illegible]

[illegible]

JAKARTA [illegible]

The government today gave two Spanish companies [illegible] a contract to build the [illegible] million hydrocracker unit of the Dumai oil refinery in Central Sumatra.

Financing, ownership and construction on the project would begin as soon as work in the refinery is expected to [illegible] Indonesia's domestic demand for refined oil products.

The Spanish companies will work on a joint venture basis with the state-run Pertamina oil company.

Financing of the project will be through a group of European sources and will be channelled by the two Spanish companies.

Indonesia, although a member of the Organisation of Petroleum Producing Countries (Opec), has had to import refined petroleum products from the Middle East, a heavy [illegible] billion drain in 1980.

In December a spokesman for the Ministry of Mines and Energy said two firms would be commissioned early in the new year to prepare a design for the Middle East oil day cut which will process heavy low sulphur waxy crudes into lubricating distillates such as gasoline, kerosene and diesel oil.

The ministry spokesman said the two companies had put up a proposal and obtained the necessary capital for the project to go ahead as a joint venture with Pertamina.

President Suharto in his budget speech in January emphasised that the project was to go ahead as early as possible and be on stream by 1985.

This was because Indonesia wanted to relieve itself of the heavy burden on the economy of subsidising imported kerosene. The subsidy cost is projected to rise to [illegible] billion in 1984 from [illegible] million in 1979. UPI Reuter

[illegible]

[illegible]

[illegible]

[illegible]

JAKARTA, Indonesian Airways, which suffered striking pilots in a battle over pay this week, has not allowed lack of qualified pilots to prevent it from inheriting an Asia's second largest fleet of air craft.

With expansion and new boeing facilities, coupled with pressures on finances, neither the government nor the airline is admitting it will grant wage increases to the pilots, who returned to work in the national interest after being threatened with tough disciplinary action.

But at least a modest wage increase seems on the cards for the pilots now back in the cockpits after their walkout so severely curtailed the airline's domestic services. International flights were mostly unaffected.

Garuda has six pilots, of whom about 150 joined the five day strike for higher pay and improved working conditions. It also has a steadily expanding fleet of aircraft larger than most claim, above South East Asian competitors — a fact that usually surprises even experienced travellers in the region.

Garuda secretary-general Mr Lumenta said the arrival this summer of four Boeing 747s at an estimated cost of US$200 million would bring the combined carrying capacity of Garuda's wide bodied and white planes to 6,100 seats, second only to Japan Airlines in Asia.

Indonesia's national airline is a work horse fashioned to provide service to as many major cities as possible in this archipelago of more than 13,000 islands.

Thirty-eight destinations number 38 cities including such exotic parts of Bali as Bali and Ambon in the Moluccas. Spice Islands.

Mr Lumenta said that to cope with the increasing number of travellers, this year's expansion will bring the Garuda fleet to 47. Competing as Pan Am does, used primarily for shorter inter-island and inter-city flights, as DC-9s do for longer domestic trips, and as the 747s do with the new Boeing jumbos.

Two ageing DC-8s, pressed into emergency service during the strike, will be retired, he said.

Mr Lumenta said the Garuda expansion would not necessarily mean broader flight networks, but rather enable the airline to intensify existing routes and make more extensions.

He said the new Boeing 747s would allow Garuda to extend its European routes to London, and the new planes would also be used on Australian routes.

The 747s would be used on flights to Japan and Hong Kong and temporarily between Jakarta and Denpasar (Bali) and Medan (North Sumatra). The latter routes would be taken over by six A 300 Airbuses when the Garuda fleet further expands in 1981 and 1982.

The new capacity has meant more passengers. A total of 5.25 million people chose to fly Garuda last year, up from 3.88 million in 1976.

Mr Lumenta said these totals had been expected to be even higher last year, but were depressed by the three-week ban on all flights last April recommended by US aviation authorities after a crash in Chicago.

Despite continued expansion in its fleet and record numbers of air travellers, the Indonesian national airline apparently has yet to prove profitable to the government.

President director Wiweko Supono, preoccupied with strained labour relations, has yet to comment on last year's financial performance.

[illegible]

[illegible]

[illegible]

PERTAMINA NEEDS INCREASED PRODUCTIVITY, EFFICIENT MANAGEMENT

Jakarta KOMPAS in Indonesian 10 Mar 80 pp 1, 12

[Article: "No PP Implementation Regulations Under Law No 8 of 1971 Yet Available for Pertamina"]

[Excerpts] Under law 8 of 1971 regarding Pertamina, government regulations (PP) must be established to implement that law, but up to the present time only Presidential Decision No 45 regulates the organization. The management of Pertamina now is based solely on earlier regulations and customary procedures. Therefore, many conflicting regulations are in effect.

This information was received from Pertamina Finance Director Soehanto by KOMPAS and the HARITIEN [MARITIME] ECONOMIC REPORT at the director's office.

Soehanto explained that in mid 1979, Pertamina began to work toward providing a firm and clear basis for management in various important fields to increase productivity and efficiency. It was successful by the end of 1979 and the beginning of 1980 in four areas: Pertamina executive director's decision regarding the formation of a "Permanent Pertamina Budget and Planning Committee" (10 December 1979), the "Directive on the Management Project" (10 December 1979), the decision on "Implementing the Regulation for Letting Contracts and Purchasing Goods within the Pertamina Domain" (20 October 1979), and the decision on the "Development Project for Pertamina Administrative Efficiency" (28 January 1979) [as published].

Three foreign consultants will be used for the latter project: Price Waterhouse which will work on financial administration, Arthur Young and Co which will work on the contracting field, and Coopers and Lybrand who will work on funding. It is expected that Pertamina's efficiency and administrative order will be upgraded in the future. These projects are planned to be completed by 1 April 1982.

The Pertamina financial director cited as an example of inefficient management due to lack of specific and clear regulations, the case of the Customs Directorate General's circular of 22 December 1979, which states that Pertamina is delinquent in the payment of "import duties" in the amount of 90,157,711,608 rupiah for the period 1971/78. When this matter was [settled], Pertamina

apparently was obligated to pay only 666.3 million rupiah. If Pertamina's delinquent import duties for 1979 were included, the total delinquency amounts to about 800 million rupiah. At present, Pertamina is not permitting its debts to accumulate, but is paying them off rapidly. About 691.3 million rupiah of the 800 million rupiah owed have been paid off.

How can a delinquency of about 90 billion rupiah shrink to only 666.3 million rupiah? According to Sudjatmiko, the figure of 90 billion rupiah was not broken down into categories of items. Category A items obtained duty free facilities (valued at 88.106 billion rupiah); items in category B were subject to import duties of 666.3 million rupiah; and category C items are items leased from overseas and are ordinarily reexported. If they are not reexported within a certain number of years (under the decision), they are subject to import duties totaling 1,386,930,699 rupiah.

Regarding the Pertamina draft budget for 1980-81, the finance director clarified that Pertamina had submitted a budget of 86 billion or about 1,759 billion rupiah. Eight percent of the proposed amount will be used for capital investment broken down into 4.5 percent for exploration for new sources and 2.5 percent for investment in domestic supply. (FBIS) Ian published. Ordinarily the Commissioners Council approves about 90 percent of the draft budget submitted.

6804
CSO: 5211

ANOTHER $2 BILLION NEEDED FOR OIL EXPLORATION

Kuala Lumpur BUSINESS TIMES in English 17 Feb 88 p 1

[Text]

JAKARTA Feb 17 — THE Indonesian oil company Pertamina will need at least another [illegible] billion ([illegible] billion) for oil exploration during its [illegible] five-year plan ([illegible]), in view of oil price increases.

[illegible] for exploration and production of the government-owned Pertamina Oil Corporation, Mr [illegible], said that this provided hope that the production target of [illegible] million barrels per day would be achieved at the end of the [illegible] plan.

He said Pertamina's role in oil exploration would increase. A sum [illegible] of [illegible] million ([illegible] million) had been earmarked for this purpose for the next two years, he said.

He said the next step was to explore offshore deep sea geological formations using latest drilling technology.

At least [illegible] million worth of new investments would be needed for [illegible] oil production during the remaining years of the plan [illegible].

Pertamina's crude production at the moment stands at [illegible] barrels per day or about six per cent of the country's total oil production output.

Meanwhile, State Minister for Research and Technology, Dr B.J. Habibie estimated that Indonesia could be running out of oil reserves by the year [illegible].

The Minister told the Parliament Commission here that the government should [illegible] for the long-term [illegible]. [illegible] should be given priority, he said.

Mr Habibie said studies were now underway to convert ethanol and methanol [illegible] from [illegible] into oil fuel substitutes. — Bernama

CSO: 4220

HIGH FOOD PRICE DOES NOT GUARANTEE GOOD LIFE FOR FARMERS

Jakarta KOMPAS in Indonesian 1 Mar 80 pp 1, 7

[Excerpts] The minister of agriculture, Prof Soedarsono Hadisaputro, stated that the government's buying farm produce at a price higher than the market and then dumping it to the public at a low price does not necessarily guarantee a better income for the farmers. In fact, it can even lead to a reduction in their income.

The minister of agriculture made this remark in a work conference with Parliament's Commission on the National Budget Wednesday evening. He was answering a question by the commission concerning hiking the price of rice purchased by the government. According to the said commission, certain quarters have suggested that the government was forcing nobody tools to purchase rice from farmers at a higher price (if necessary, even higher than imported rice), and then to sell it publicly at a low price in order to keep the price stable and to make it affordable to the consumers. In this manner, the food supply can benefit the farmers themselves. It is also hoped that as the paddy price is increased, the farmers will strive to produce more food, and it would not be necessary to import rice anymore.

According to a recent statement by Bustanil Arifin, head of the logistics Bureau, the quantity of imported rice for 1979-80 will total about 2.7 million tons, including a carry-over delivery of 427,000 tons from the 1978-79 period. Of this figure, 2 million tons originated from commercial imports with a subsidy of Rp 55.5 billion rupiahs and about 700,000 tons came from "food aid" and "grants." In 1980-81, government subsidy for rice imports will total about Rp 1.1 billion rupiahs.

In his answer, the minister of agriculture said that fixing the basic price for unpolished rice cannot be detached from fixing production costs and prices of other daily staples. Consequently, the fixing of basic prices for certain agricultural produce (rice and second crops) must not be comparatively high, while production costs for the farmers have to be maintained as low as possible. In this way, the net income of the farmers will remain fairly high.

The government strives to make the prices of basic necessities stable and affordable to the public. To this end, the government adopts the policy of giving subsidies to agricultural produce, particularly foodstuff, and to the costs of production needed by the farmers.

"Apart from this, any effort to hike the basic price, and then sell below the market price, would require a bigger subsidy and more storehouses, because all production of the farmers would be purchased by the government," Minister Soedarsono explained.

He added that the present level of food production has not reached its maximum capacity. The possibility of increasing rice production always exists. The arable land has not been fully utilized. Productivity per hectare can still be intensified. Besides, rice production can be increased by expanding acreage.

He said that during 1978, rice production totalled 17.525 million tons. According to provisional statistics, the rice production for 1979 was 17.918 million tons. For 1980, it is estimated at 18.279 million tons.

It may be seen from these figures that rice production keeps increasing and the possibility of further increases always exists. The arable land which is being utilized intensively is only 55 percent of total acreage or 70 percent of the entire well-irrigated land.

Productivity per hectare can still be improved. Through intensification of farming, the unit yield of rice for 1978 averaged 73.42 quintal per hectare, while the yield obtained through an intensification contest during the planting season of 1979 in certain areas was much higher on the average.

In the 1979 intensification contest, the "Rejana" farming group of Bali province yielded 118.75 quintal of dry paddy per hectare. The "Rejong Sungapan" farming group of West Java province yielded 108.96 quintal of dry paddy per hectare. The "Tani Makmur" farming group in Central Java province yielded 101.54 quintal of dry paddy per hectare, and the "Yuso Mulyo" farming group of East Java province yielded 100.88 quintal of dry paddy per hectare.

To increase rice production, efforts are also being made to expand acreage by transmigration and creation of new farms, besides intensification efforts.

9300
CSO: 4211

MARINE RESOURCES REPORTED REACHING CRITICAL STAGE

Jakarta KOMPAS in Indonesian 7 Mar 80 p 2

[Excerpts] The condition of marine biological resources is approaching a critical point, particularly along the northern coast of Java Island and the Strait of Malacca. The potential for fishery on the seas around South Sulawesi also calls for apprehension.

These remarks were made by Ibnu Sardjono, director general of fisheries, at a press conference held before the conclusion of a Directorate General of Fisheries Work Conference in Jakarta last Wednesday.

Several factors caused the apprehensive condition of marine biological resources in the three aforementioned sea areas. One of the causes was the high density of population in general and of fishermen in particular in these regions. Thus, fishing activity has intensified almost to its full potential. Moreover, speedy modernization of fishery equipment and technology in recent years has virtually depleted the potential sources of local marine life.

To overcome the situation, there must at least be a will and capability on the part of the government and the public fishermen themselves, according to the director general of fisheries. Specifically, government programs must have the support of, or be carried out by, the fishermen concerned. These programs include the transmigration of fishermen to other regions, diversification of fishery activities and expansion or creation of other fields of human endeavor.

Theoretically, all these programs and endeavors can be implemented. In practice, however, they meet with obstacles. For instance, the transmigration of fishermen was planned during the Second Five-Year Plan, yet it has not carried out up till now. This is because the government has been too preoccupied with the transmigration of the population in general, particularly food-producing farmers, which represents the government's best transmigration program.

9 000
CSO: 5211

BRIEFS

JAPANESE AID—The Japanese government has given the Indonesian government a grant amounting to 1.7 billion yen or about 4.1 billion rupiahs to increase food production. Diplomatic notes concerning the grant were exchanged in Jakarta Monday between Bunji Hori, director general of Foreign Economic, Social and Cultural Relations, Department of Foreign Affairs, and Hasan Sawabi, the new Japanese ambassador to Indonesia. This grant will be utilized by the Indonesian government to purchase agricultural machinery, agricultural chemicals and such development equipment as tractors, seed drying machines, transportation vehicles, etc. The Indonesian government has indeed been planning to intensify the construction of irrigation works in various regions. The new grant given last Monday brought the total of Japan's aid to Indonesia since 1970 for food production in this country to 4.7 billion yen or approximately 11.75 billion rupiahs. [Text] [Jakarta KOMPAS in Indonesian 6 Mar 80 p 7] 9300

LOCOMOTIVE PURCHASE—This year the government will purchase 11 Diesel locomotives from West Germany, 7 cogwheel locomotives from Switzerland and 42 passenger cars from Japan. Nasir Nurdin, director general of Land Communications, told the press last Tuesday in Srengseng (Kampung) that all the vehicles will be purchased with credits provided by the respective foreign governments for Indonesia. According to the original plan, all the 11 Diesel locomotives, each with 1,000 to 1,500 HP capacity, will be used for railway traffic on Java. Six of the cogwheel locomotives are to be used for transportation in West Sumatra, connecting Padang city with the cement factory at Indarung. The 42 passenger cars will be allocated to various places at a later date. With the arrival of the new equipment, a number of old locomotives, which should have been scrapped long ago, will be sold to the public. According to Nasir Nurdin, the government has given its approval to sell all scrap iron of the State Railway Company to Krakatau Steel. [Excerpts] [Jakarta KOMPAS in Indonesian 7 Mar 80 p 7] 9300

U.S. FOOD AID—The Indonesian government yesterday signed an aid agreement for $71 million or approximately 11,875 billion rupiahs with the U.S. government within the framework of Public Law 480. The signatories were Mochtar Pangabean, minister of foreign affairs ad interim, and Edward E. Masters, the U.S. ambassador to Indonesia. The signing ceremony took place

at the Department of Foreign Affairs, Jalan Pejambon [Jakarta]. This financial aid will be used to buy 117,000 tons of rice and 80,000 tons of wheat. The aforementioned loan agreement represents the realization of food aid given by the U.S. government to the Indonesian government for the U.S. fiscal year 1979. Food shipment to Indonesia will be carried out in accordance with Indonesia's needs up to September 1980. This is the fourth purchase of wheat and rice during the fiscal year 1979-80. It increases the U.S. food aid to Indonesia to $400 million since May 1977. This represents a soft loan agreement repayable within a period of 40 years, including a grace period of 8 years, with a 2 percent interest during the said grace period and 3 percent thereafter. The food aid was begun in 1957 and has covered a total of $1.5 billion by now. [text] [Jakarta KOMPAS / Mar 80 p 9] 9300

COAL FOR POWER PROJECT. Indonesian State Railways (PJKA) has begun to pave the way for railway development in South Sumatra particularly for transporting coal on a large scale in the coming 2 or 3 years. According to a KOMPAS source, work on this project, to begin in 1981, is linked to the development of the Bukit Asam coal Mine (TABA) in Tanjung Enim and a port to handle coal in Tarahan (Lampung). These developments are aimed at supporting the development of the steam-powered electric power stations (PLTU) in Suralaya (West Java), which will be fueled with coal obtained from South Sumatra. Work on the Suralaya project is planned to be completed within 10 years (1984-94). Seven 1,000-MW capacity PLTU's will be built, requiring about 7.9 million tons of coal. Two 750-MW capacity PLTUs will be completed and will be operating in the 1984-85 phase of this project. They will require about 2.5 million tons of coal. Therefore, TABA, PJKA rail lines, the special port and coal transport ships must be ready for operation prior to that time. PJKA will begin to move 1 million tons of coal toward the end of 1982 when the first PLTU will be completed. The coal will be moved by rail from Tanjung Enim to Palembang and then by ship to Suralaya for a "test firing" of the power station. From the end of 1984, 2.5 million tons of coal will be supplied annually by TABA and will be transported by PJKA from Tanjung Enim to the coal port of Tarahan. Special coal transporters will take the coal over to Suralaya. Research conducted by the Montreal Consultant Service (MCAS) in connection with the Suralaya project will be completed in July. Detailed requirements for TABA, PJKA, the port, and the coal ships for this project will be available only early next year. [Excerpts] [Jakarta KOMPAS in Indonesian / Mar 80 p 8] 8806

PREFERENTIAL TRADE STATUS. Indonesia finally has regained its preferential trade status from the United States. This privilege was frozen about 7 years ago. On Wednesday (5 March), President Jimmy Carter announced that Indonesia and four other developing nations--Ecuador, Uganda, Venezuela and Rhodesia--would receive such treatment. In his letter to the House and the Senate, Carter said he would sign an executive order immediately regarding the granting of such preferential status. Carter cited as his main reason for granting this status that other advanced nations had also offered to grant preferential treatment on tariffs to the five developing nations. Preferential status for Indonesia was frozen by the United States when an oil boycott was launched by

OPEC against the United States as a result of the Middle East War in 1973. In retaliation, the United States withdrew its special trade treatment from all OPEC nations, even though OPEC members such as Indonesia and Venezuela actually did not participate in the boycott. Indonesia struggled to regain this status from the time Marshal Rusmin Nuryadin was Indonesia's ambassador to Washington. At that time, the ambassador had indicated that there was no problem in regard to this matter as far as the US executive branch was concerned, but that changes in the "trade act" required the prior approval of Congress. [Text] [Jakarta KOMPAS in Indonesian 8 Mar 80 pp 1, 9] 8804

LNG SALE--Last Saturday [8 March] Pertamina Executive Director Piet Haryono and the director of Tokyo Electric Power Co (TEPCO), N Tapiti, signed a purchase-sales contract for surplus LNG production in Arun and Badak. Surplus liquified gas amounting to 750,000 cubic meters will be transported in six ships, each capable of holding 125,000 cubic meters of LNG. LNG exports to Japan are valued at about $90 million, and this sale is for an amount above that covered in the LNG contract currently in effect. Still, TEPCO is interested in purchasing more LNG in the future. Cooperation on the construction of LNG plants in Arun and Badak is being discussed now, so that more LNG can be exported to Japan on a continuing basis. TEPCO uses LNG as fuel for its electric power station operations. In 1979, it required 8 million tons of LNG of which 4 million tons were imported from Brunei, 1 million tons were imported from Abu Dhabi, and 1 million tons were imported from Alaska. Aside from this additional sale, TEPCO and Tohoku Electric Power Co, a northern Japanese electric power company operating in the Tohoku area, also stated their desire to purchase about 1 million tons of LNG from Arun over a 20 year period. The first shipment is expected in June 1981. Pertamina is preparing to offer an LNG purchase-sales contract for Arun LNG. [Excerpts] [Jakarta KOMPAS in Indonesia 11 Mar 80 p 2] 8804

FIGHTING IN EAST TIMOR--Darwin--Reports of continued scattered resistance to the Indonesian takeover of East Timor have reached Darwin. According to the reports, remnants of Fretilin are attacking small groups of Indonesians, particularly in the mountains in the north of the former Portuguese colony. The reports were brought to Darwin by recent arrivals who left East Timor about 10 weeks ago. They were passed on to AAP's Darwin office by three East Timorese, who said that the people who brought the information did not want to be identified because of fears for the safety of relatives still in East Timor. [Text] [Perth WEST AUSTRALIAN in English 10 Mar 80 p 40]

TIMOR DEAD LISTED--Jakarta, Friday--President Soeharto dedicated a monument yesterday to soldiers of the Indonesian Army's strategic command (Kostrad) which includes the names of 247 Kostrad soldiers killed during the Indonesian takeover of East Timor. The unveiling of the monument is believed to mark the first time that Indonesia has publicly listed the names of armed forces personnel killed in East Timor by the Fretilin independence movement. Total Indonesian casualties in East Timor during its protracted struggle against Fretilin are thought to run into thousands. The monument also lists the names of 79 Kostrad soldiers killed either during Indonesia's takeover of West Irian in the early 1960s or during Indonesia's "confrontation" with Malaysia. [Text] [Sydney MORNING HERALD in English 8 Mar 80 p 5]

MORE AID FOR EAST TIMOR--Jakarta, Wednesday--Indonesia is understood to have agreed to a six-month extension of the emergency relief program being conducted in East Timor by the International Red Cross and the Indonesian Red Cross. The decision reflects the fact that although there has been considerable improvement in East Timor, serious humanitarian problems remain. According to relief workers, up to 20 people die each month from malnutrition and disease in some villages under the Red Cross program. But this is said to be a vast improvement on the death rate when the program began. [text] [Sydney MORNING HERALD in English 20 Mar 80 p 9]

CSO: 4213

[illegible]

[illegible]

[illegible]

[illegible]

their parents worry that resettlement in a third country may never materialise. Both become bored as the waiting for an air ticket extends beyond the average year to two or three.

The Thai government estimated that between 1000 and 2000 Thais are among the refugees. These opportunities joined the ranks with hopes of settlement in Australia, Europe or North America. If they squeeze through the screening, these persons are likely to reach their desired destination because they are usually skilled and speak some English or French. These characteristics boost a refugee's acceptability.

Adjustment to a Western cultural setting may be major for the isolated hill tribe people, which includes the Hmong. Those with relatives already settled in a third country receive priority.

A few use flee to the camps for political reasons. Feeling isolated by the government, perhaps because of connections with the old regime, they desperately [illegible] situated role in rebuilding an authentic Lao society. One man at Nong Khai admitted to a foreign visitor that he did what to work for the Revolution, but felt watched and feared arrest. I would not have left simply because things were difficult.

Rumours of an easily upset balance between nationalists and pro-Vietnamese elements in the government cause Vientiane as the Indochina scape [illegible].

The government has [illegible] concern over the departure of at least five per cent of its population.

Leaving [illegible] they moved to [illegible] criticism from [illegible] government officials [illegible] at projects [illegible] Prime Minister Kaysone directed over [illegible] radio to stop pressuring farmers into joining co-operatives.

Also an open arms in situation extends to repatriating refugees. It is estimated that well over 6,000 have accepted. Many come from Thailand where they had stayed with relatives or in the mountains.

There is another [illegible] of returnees. The educated ones who regret their quick exit in 1975 since [illegible] of the gentle revolution has reached them.

Through the help of the Lao United Church in France, [illegible] returned to his homeland two years after he had left. After a desperate stay in Nong Khai refugee camp in Thailand, "we lived like cats and dogs and not enough to eat," and a lonely period in France where he was resettled, he and his wife slowly returned to Laos. They were given more financing and he employs most people in Vientiane.

Would be refugees still watch the political and economic thermometer of their country with a trepidation. As long as there is a river, some will venture across. Their willingness to try to be financed by other Indochina events.

One who had dropped it with the home-bound [illegible] "I really trying to improve [illegible] the refugees. Every thing we need to live is in the market," says one professional.

"I am too involved to analyse the revolution," a government worker adds.

A widow says that she is just as poor as before, but "now I can read and write and my daughters go to school free." All these reasons are strong enough to keep most people on the fab side of the Mekong. [illegible] Dap [illegible]

COMMODITY RATIONING SYSTEM DESCRIBED, PROBLEMS ARISE

Cadre Abuse Alleged

Vientiane SIANG PASASON in Lao 9 Feb 80 p 2

[Article in 'Letters Answered' Column: "Control of Students' Rations"]

[Text] The second letter to us says: 'Our names are Thiengtham, Sotsai, Somsvang, Sila, Kaew-on, and Naiout, of the Center for Political Training for Lao Students at Kilometer 2, Vientiane. Here is our question:

Since the end of last year there has been a great number of students who studied abroad at the reception center. Some of these students stay 2-3 months, and some 1-2 weeks before they are reassigned to new posts, or for further training. As a result, every month there is a surplus of commodities at the center such as rice, sugar, milk, etc., which in turn is bought by more than ten cadres working at the center. Sometimes they buy 4-5 tons of rice, as well as other surplus commodities. Is it appropriate for them to do so since they have their own rations?

Answer: As far as we know, in the past, each person was entitled to receive from the trade sector a ration of necessities of no more than 20 kilograms of rice, 0.5-1 kilogram of sugar and two cans of milk per month. Everyone, from the departmental level down to the lowest level, received an equal ration of other necessities, that is, everyone received enough just to subsist. If anyone receives rations as those people do they have an unreasonable income and can be considered a violator of the rules and should be investigated and disciplined accordingly.

In order to clarify this incident, and to avoid mutual suspicion, as well as prevent further losses of collective property, we feel that all of you should report the incident to the ministry and department involved so that an action can be taken to correct the above practice.

Day Laborers Not Provided Rations

Vientiane KIANG PAHAKON in Lao 16 Feb 80 pp 2, 4

[Article in 'Letters Answered' Column: "Day Laborers"]

[text] Dear Editor: My name is Bombom of the Bridge and Highway Construction Sector of Savannakhet Province, and I need some clarification. Why is it that day laborers who have been working for 4-5 years are not provided the same ration as are provided the cadres? And, are dependents of those cadres who are not government workers and who work outside Vientiane eligible for rice rations?

[Answer] The Party and state consider all those who labor honorable and, therefore, deserving of excellent care and protection from the state and Party. However, the Party and state have different policies for different types of laborers. Day laborers who are neither state workers nor politically affiliated with any state organizations, but who are paid by private companies or are contracted temporarily by the state, are eligible for compensation from their employers according to their service. On the contrary, state laborers are protected and cared for by the state since they have dedicated their labor and intellect to the nation and to the revolution. Therefore, the policy set forth by the Party and state is prescribed to look after these laborers. If day laborers desire to benefit completely as do those skilled laborers, they must endeavor to train and educate themselves so as to achieve higher skills, and thus become true and full-fledged state laborers.

As for the question of the dependents of those cadres whose work is not affiliated with state organizations or who work outside Vientiane, these dependents are not eligible for state rice rations since they already belong to local farmers' organizations within their areas. Socialism has established the just principle this way: Those who work harder receive more; those who work less receive less; those who never work receive nothing. This slogan was designed to uproot an oppressive system. All those who are capable of working must make themselves useful to society. Doing so is the most reasonable, fair thing and this is why the Party and state is seeking every avenue to make all individuals valuable for society, thus making them basically self reliant in terms of labor.

9013
CSO: 4206

SHORTCOMINGS IN INDUSTRIAL, ARTISAN SECTORS NOTED

Suppression of Private Sector Criticized

Vientiane SIANG PAKSON in Lao 9 Feb 80 pp 1, 3

[Editorial: "We Must Endeavor to Appropriately Expand Small Industrial and Artisan Sectors"]

[Text] In order to transform a small industry into a large-scale socialist industry in a country such as ours, the tasks of production, small industry and the artisan sector, and local industrial enterprises play a most significant role. They not only serve production and the people's livelihood, but also function in delegating the work of socialism. They subsequently will form the new economic structure and will play a part in gathering funds, and transforming the provinces into powerful centers for the economy and national defense. Moreover, the above factors are valuable for the economic improvement and development of laborers and farmers.

In order to accomplish the above tasks, in the beginning of 1979 the Party and state issued directives which clearly specify that expanding local industry, including both small industries and artisan sectors, will be to expand these sectors using raw materials and local equipment. Such expansion must aim at serving production and the livelihood of the people so that local agriculture and industry can gradually become established. In order for these tasks to progress and expand, the Party and the government also have a plan to encourage state trade sectors to supply raw materials and to distribute industrial products. They must also assist in improving techniques from the level of handicrafts to the semi mechanized and mechanized level. They must gradually increase the level of labor efficiency and quality of products. However, the prevailing situation in various provinces where local industries are located has not yet emphasized the expansion of the small industrial and artisan sectors. Neither have state trade sectors paid any attention to promoting the small industry and artisan sector. As a result, small industrial and artisan sectors in various provinces fail to expand strongly. On the contrary, these provinces have been paying more attention to wiping out the industrial foundation of the private sector, making private industries into state enterprises. These small enterprises employ out of date techniques; their production is not consistent with the guidelines prescribed by the central echelon.

Therefore, in 1980 the provinces must improve the task of expanding small industries and artisan sectors in proper accordance with the guidelines set forth by the Party and state. For example, the private sector should be allowed to rent [enterprises] and to authorize labor collectives to control or establish themselves as small industrial and artisan cooperatives. With regard to local and newly established industries that are either state-owned or owned jointly with the private sector, these must be built in accordance with the guidelines set forth by the central echelon. That is, they must aim at fulfilling the demands required by production as well as supplying the livelihood and needs of the local population. These include rice mills; factories producing cosmetics, fish sauce, preserved fish (anchovies), cement, bricks, climbers, lime kilns; factories for salt, ceramics, enamelled products, lamps, agricultural equipment, machinery repair; starchy food processing plants; fruit produce and canned goods factories; and cotton factories, etc. In addition, these provinces must endeavor to expand small industries and the artisan sector that utilizes local and existing raw materials with the local market as an important factor. The trade and industry sector, as well as trading companies of each province, must assist small industry and artisan sectors within their province by appropriately outlining production directions. They must supply raw materials and distribute industrial products through production contractual obligations, and subsequently supply these products to the state.

With reference to other aspects, the provinces should make policies to organize the collection of scrap metal and old items for conversion. They must endeavor to expand the artisan sector that is already working in accordance with the conditions of labor and raw materials within each locality. For example, the work of drawing and painting, cotton weaving, silk worm raising, cloth and silk weaving, etc. This will create new jobs for the people, as well as improve incomes of the locality. In promoting and expanding the above vocational sectors, care must be taken in order for them to progress in conjunction with the improvement in techniques this is in order for the fruits of our small industry and the artisan sector to gradually increase in both quality and quantity so that they can fulfill production needs and livelihood of our people.

Material, Management Problems

Vientiane SIANG PANAMON in Lao 15 Feb 80 pp 1, 3

[Editorial: "We Must Increase Material and Technical Foundation for Production"]

[Text] The goal for building our nation is for us to step forward and build socialism, bypassing the development of capitalism. However, the raise of economic foundation for socialism require that socialist production be accomplished rapidly and with continuous expansion. In order to achieve such a goal, we must therefore above all increasingly build a foundation in terms of the materials and techniques for production. We must increase the means of labor and other material conditions for increasing such labor, for example, machinery and its accessories, production equipment and machine shops, as well as roadways.

Although [illegible] the constitutional [illegible] is [illegible] to state construction in [illegible], [illegible], [illegible], [illegible] five planets, [illegible] [illegible] [illegible] building and mapping a number of [illegible] [illegible] [illegible] the task of building our foundation is still [illegible] [illegible] [illegible] [illegible] of [illegible] is a lack of [illegible] materials and development of the building of foundation [illegible] [illegible] [illegible] [illegible]. The private sector's construction force in large [illegible] has not been organized and brought into use. [illegible], it is [illegible] [illegible] and long time action to eliminate [illegible] [illegible] [illegible] [illegible] a foundation means a large scale [illegible], expansion and [illegible]. First of all, the infrastructure for setting up [illegible] [illegible], electricity, running water, [illegible], [illegible], [illegible], [illegible] must be constructed in order to prepare conditions for building [illegible] economic foundations such as electric energy, [illegible], [illegible], [illegible] and [illegible] materials. These state construction [illegible] [illegible] [illegible] are unable to meet the demand for the [illegible] of [illegible] and [illegible] [illegible] [illegible] the private sector's [illegible].

In addition, we must [illegible] [illegible] [illegible] [illegible] [illegible] and upgrading. We must [illegible] [illegible] [illegible] and organization and control for building [illegible] [illegible], [illegible], [illegible] the manufacture of construction materials. In addition, the policy for production, distribution and [illegible] of construction [illegible], such as [illegible] concrete, wood, [illegible], [illegible] [illegible], [illegible] [illegible] in a spirit of promoting the [illegible] and use of locally produced materials and conserving imported materials. We must [illegible] [illegible] for repairing and renovating the existing [illegible] and [illegible] [illegible]. Construction policies [illegible] and materials.

[illegible] to [illegible] [illegible] and [illegible] [illegible] [illegible] [illegible] can be successful. [illegible] [illegible] [illegible] of [illegible] in the [illegible] [illegible] [illegible] [illegible] [illegible] and [illegible].

[illegible]
[illegible], [illegible]

[illegible]

[illegible] OF COMMUNIST TERRORISTS KILLED

[illegible] BUSINESS TIMES in English 12 Feb 80 p 6

[Article by Thomas Hynd]

[Text]

[illegible] forces say they have killed an [illegible] by communist guerrillas to stop on their sporadic incursions deep inside Malaysia by killing a key leader in a pounding clash.

The chief Police officer of Perak state, Datuk Kwan Yuet Leong, identified the slain leader as Hah Beng, who was in charge of both the guerrilla and subversive activities of the outlawed Communist Party of Malaya (CPM).

Two of Hah Beng's men were also wounded as the group travelled through the jungle to the northern part of Perak close to the Thai border to raise a large guerrilla force, Datuk Kwan told reporters in Ipoh a few days ago.

The police chief said Hah Beng's aim was to launch widespread armed attacks in the southern part of Perak and the adjoining Kedah state close to the national capital Kuala Lumpur.

For many years Hah Beng also coordinated the activities of the Malayan National Liberation Front (MNLF), the underground organisation of the CPM throughout Peninsular Malaysia from Perak in the north to Johore in the south and in Singapore, Datuk Kwan said.

Guerrillas hiding in the jungle and harried by security forces depend on their food medicines and intelligence of troop movements on underground supporters and sympathizers.

The MNLF is one of the clandestine organisations the CPM has built up in its aim to stage a comeback in Malaysia. It attracts impressionable students and disgruntled youths in Malaysia and Singapore who yearly disappear from their homes.

Leaders of the CPM retreated to the jungles of southern Thailand on the border of Perak after 10,000 guerrillas were decimated with the help of British troops in the 1948-60 insurrection.

Since then they have rebuilt their shattered forces of 500 to the present strength of about 1,000 in the jungle sanctuaries of southern Thailand.

Some 400 guerrillas infiltrated from Thai sanctuaries into Malaysia in the early 1970s but over the years 300 of them have been put out of action by the Malaysian army and the police in continuous counter insurgency operations.

Since 1974 the Malaysian armed forces have launched joint operations with the Thais in southern Thailand against CPM bases.

A drive by four battalions of combined troops is now going on in Thailand's Betong salient jutting into Malaysia.

The joint military operations became possible under a new border supervision agreement which Thailand and Malaysia signed as they perceived a common communist threat to them following the fall of Indo-China to communist forces in 1975.

Despite the government's successes security officials in Perak state said they could not rest on their laurels because the guerrillas would not give up their struggle in the foreseeable time.

Inspector General of Police Tan Sri Hanif Omar warned a conference of 500 senior police officers in Kuala Lumpur last month that the guerrillas might even launch a second insurrection in their continuing efforts to take over Malaysia by force.

Tan Sri Hanif said a group of hardcore guerrillas called the Sixth Assault Unit had slipped back from Thailand to their former jungle stronghold in Kedah state adjoining Perak.

But Perak, rich in tin and forests of valuable timber, remains the focal point of the CPM's drive to step down from Thailand and spread out again in Malaysia.

Most of the remaining guerrillas who have infiltrated into Malaysia are found in this state which the CPM regards as its homeland.

It was the killing of British rubber planters at Bukit Sipot in Perak state in 1948 that sparked off the countrywide insurrection.

Several inhabited areas at the fringe of the forests here remain under 24 hour curfew for the police to cut off civilians from the guerrillas and the troops to ferret out communist hideouts.

The curfew is enforced strictly. One aborigine out hunting without a curfew pass was killed by the troops last month when he failed to answer their challenge.

Meanwhile, the government has begun implementing economic development projects to establish settlements of trustworthy citizens right up to the border with Thailand. Reuter

WORLD BANK TO FINANCE [illegible] PROJECTS

Kuala Lumpur BUSINESS TIMES in English 11 Feb 80 p 1

(Text)

[illegible]

[illegible] INDUSTRY PROTARIES INVESTMENT PLANS

[illegible] Straits Times [illegible] in English 6 Oct 80 pp 1, 9

[illegible]

[illegible]

[illegible] investments from [illegible] can be expected to flow into Malaysia once the Pioneer Industries Ordinance lifts the plans for this country and the region as a whole.

An investment and trade mission from the group, part of the [illegible] application and wide [illegible] on Monday and [illegible] of Malaysia yesterday for some preliminary discussions and exploration into areas of mutual interests.

However, since it will be some time before an [illegible] of manufacturing facilities can be set up, the Pioneer companies will initially concentrate on setting up training programmes for [illegible] Malaysians getting their products here and buying local components and parts for incorporation into their manufacturing processes overseas.

The [illegible] managing director [illegible] of the group, told Business Times that they have put forward a proposal to Mida and Mida under which local technicians and engineers can be sent for training in any of Pioneer's companies overseas.

He stressed that this offer is made and can be accepted without any obligation on the part of Mida or the [illegible] Malaysia. The training plan will however still have to be worked out and this will depend on proposals to be made by the institutions outlining their needs and requirements.

Mr Roberts, who savored the group's marketing director, the president, Mr John [illegible] the seven member mission said that up to [illegible] contact has been made with Malaysian authorities, follow up meetings from individual companies within the group and their counterparts in Malaysia can be expected over the next few months.

Pioneer notes itself may send another delegation to the Japan to Asia including Malaysia within the next six months to enter into further dialogue with local authorities and to monitor progress of the various subsidiaries in their respective [illegible].

Mr Dallman noted that the serious interest shown in this region by the group is in line with the new policy of the Malaysian government for companies under its control to expand their investment in the developing countries.

Technology used by the Pioneer Industries group is said to be easily transferable to countries like Malaysia which already have experience in similar levels of operations he pointed out.

The group through a worldwide network of companies now generate an annual turnover of US$1 billion (US$1 billion) through its participation in the energy motor vehicle, diesel and aerospace sectors.

At the moment it does not have any investment in Malaysia or any other Asean country. A few Italian companies are in Malaysia have however joint ventures producing a spectrum of goods ranging from machinery, appliances, electronics, rubber based chemical and leather products.

Mr Dallman clarified that while Pioneer Industries have instead on majority participation in its joint ventures in Italy, it is willing to accept a minority role in its foreign ventures. Appropriate local partners must however be available.

While it is still too early to pick out the particular projects in which the group may participate in Malaysia interest is high. To cause indicate on the construction of small diesel hydro turbines, irrigation and waste water treatment plants.

It is anticipated that when launched the diesel engine plant will cater not only to the Malaysian but also to the other Asean markets.

Mr Thandiyanan Mutuvelu, [illegible] sales manager of the diesel equipment department, Mercedes VM, stressed that the company's engines are made of cylinder blocks of basic sizes under a modular system.

A wide range of diesel engines to cater to the [illegible] market can therefore be produced using the same manufacturing processes and technology.

CLOSER BANKING TIES WITH POLAND PLANNED

Kuala Lumpur BUSINESS TIMES in English 9 Feb 80 p 12

[Text]

MOVES are under way to develop better relationships between leading banks in Malaysia and Poland and this will be reflected initially in the introduction of better credit facilities to finance trade between the two countries.

A three member mission from Bank Handlowy W Warszawie, Poland's biggest commercial bank, is now in Kuala Lumpur to hold discussions for the first time with top officials of Bank Bumiputera Berhad, Malayan Banking Corporation and Arab Malaysian Merchant Bankers.

The delegation which includes Bank Handlowy's president Mr Marian Minkiewicz and Mr Wincentyrz Lubatchi and Mrs Irena Lewandowska from the bank's overseas department has also met the governor of Bank Negara, Tan Sri Ismail Ali.

Poland is one of Malaysia's leading trading partners in Eastern Europe. Direct links between banks of both countries, making possible better financial services and other facilities will encourage the continued development of bilateral trade.

It is also the expressed desire of the Malaysian government to expand trade with East European countries. Deputy Prime Minister and Minister of Trade and Industry, Datuk Seri Dr Mahathir Mohamad has often commented on the need to expand trade with the country's non-traditional trading partners and Mr Minkiewicz said this is also the aim of the Polish authorities.

He told reporters yesterday that much of Poland's purchase of Malaysian commodities is still done through centres in third countries like London and Amsterdam and financing is provided by West European and US banks.

While at the moment, almost 80 per cent of Poland's exports to Malaysia is not directly, up to half of its imports from Malaysia is indirect.

Much of the trade between the two countries is carried out on a cash basis and the lack of financing arrangements between banks in both areas is considered a hindrance to further expansion.

Mr Minkiewicz felt that once such credit facilities for two way trade are available, they will prove popular though some transactions will still continue to be done on a cash basis.

Besides the provision of trade financing, bank guarantees and recommendations for both exporters and importers he emphasised that cooperation between Bank Handlowy and the Malaysian banks should have a much wider perspective, using all the instruments employed in international banking.

He hopes that his bank's relationship with the three local banks can be upgraded to that now prevailing with the large international banks. At the moment contacts between the banks are only at a very low level.

Now that Bank Handlowy has taken this first step to visit the Malaysian banks, Mr Minkiewicz invited representatives from the banking sector in Malaysia to pay a visit to Poland to further cement ties.

On his discussions with the local bankers so far, he said they have been "reasonable and useful" and bankers here have shown a positive attitude to the idea of expanding ties.

While it is still too early to speculate on the outcome of these discussions, he felt that extension of credit and other facilities for bilateral trade may become a possibility over the next few months.

According to the latest figures released by the Department of Statistics for the nine months to September last year, Poland exported to Malaysia $139 million worth of goods and imported $137 million, second only to the USSR and Rumania in exports and USSR alone in imports among the East European countries.

Mr W Popielek, the Polish trade representative in Malaysia, said the trade gap between Poland and Malaysia is expected to become narrower by the year end.

Malaysian imports from Poland comprise a wide range of items from chemicals, machinery, heavy equipment and machine tools to foodstuffs while exports include rubber, the palm oil, tyres and tubes and some canned fruits.

Mr Popielek said his government is interested in increasing both the range and extent of its imports from Malaysia.

CSO: 4220

RUBBER PRODUCERS NOT RESPONDING TO BOOMING MARKET

Kuala Lumpur BUSINESS TIMES in English 14 Feb 80 p 6

[Article by A. Kadir Jasin]

[Text]

WHEN the rubber market took a tumble in 1976/78 as a result of the worldwide economic slowdown following the four fold rise in oil prices, very few people dared to speculate how the commodity would emerge from the crisis.

Recognising the seriousness of the problem, the government launched a crash programme by establishing a national stock. Some $600 million were allocated for the programme which helped in giving prices a significant boost.

But the success of the crash programme did not reverse the sentiment against the crop growers, including smallholders who have traditionally been growing rubber, were convinced that they ought to seek shelter in other crops. The shift from rubber which began in the sixties thus picked up momentum.

Some five years later, the very same factor responsible for depressing the price of rubber in 1976/78 is again back in the picture but this time it is working in the reverse.

The mounting oil prices (which has gone up 10 fold since end 1973) and the growing shortage of the commodity has together eroded the competitive position of synthetic rubber. Given the shortage of polymers in general, synthetic and natural rubbers are now complementing each other.

Similarly, a high inflation rate (a by product of the energy crisis) is indirectly benefitting rubber — as confidence in paper money wears thin, an increasing number of investors are seeking refuge in commodities, as reflected in the current gold fever.

The effect of this is a spill over from precious and semi-precious metals to base metals.

"It is a matter of time before investors and speculators venture full force into soft commodities," says a well placed rubber industry source in Kuala Lumpur. He feels that rubber will attract a lot of interest once the true nature of the commodity is better understood.

Speculation has become a feature on the rubber market. Although it is not necessarily favourable to the long run, speculative interest in the commodity could form the basis for wide spread hedging.

Within days after first mary Industries (Pan Malaya) Sdn Bhd later (Datuk Leong Hoe Kong's statement) that rubber price would rise to $1.00 some time this year, value of the commodity shot up to $1.10 per kilogram, the highest level ever recorded, and has moved up higher since to touch the $1.30 mark at mid day last Tuesday.

More recently, another significant factor has crept into the market — the uncertainty resulting from political developments in areas bordering South east Asia where some 80 per cent of world's natural rubber is produced.

The continuing struggle for control of Rhodesia and Soviet intervention in Afghanistan and the unsettled conditions in the Gulf area are having a strong influence on the price of strategic materials of which rubber is one.

With an increasing number of countries arming themselves in the light of the current uncertainties, the use of rubber will inevitably increase. This would have the impact of cushioning any decline in the US automobile industry which is by far the largest user of natural rubber.

Taking these and other related factors into consideration, traders in Kuala Lumpur are not discounting further rises in the price of rubber. A $1.00 per kilogram level has in fact been quoted as a limit which is not impossible to reach in the near future.

But with a measure of alarm, they point out that production of natural rubber has not responded encouragingly to the sharp increase in prices. Even on the basis of the existing capacity, the response has not been as high as expected.

In the first 10 months of last year, production in fact declined marginally to 1.4 million tonnes compared with the corresponding period in 1978 although prices were on the higher side. The average price of Rsp.one during the period was recorded at $1.08 per kilogram.

While recognising that the government through agencies like Risda, Felda, Felcra and the MRRDB has committed itself to a dynamic production policy, trade sources feel

that the government must adjust itself to the new situation prevailing in the rubber market.

By that we mean the government must assess the effectiveness of the existing programmes so that the trend of Malaysia increasing natural rubber production become a reality, says one minister.

The trade fears that changing [illegible] environment may render rubber production less responsive to the increasing demand.

The fear is not unfounded. It cannot be denied that despite [illegible] that improvement in [illegible] demand and prices of rubber, more rubber land is either being shifted to other crops or simply abandoned.

The former trend is [illegible] in the estate sector. Although rubber prices have increased tremendously the return from it is low when compared with oil palm. Smallholders [illegible] that the future of palm oil is more certain due to the availability of substitutes the shift continues because of the [illegible] [illegible] even whether the change is too lucrative as a result of the [illegible] will reduce the incentive.

In the smallholders sector thousands of acres are being replanted under the [illegible] and more recently the shortage of manpower. The seriousness of the problem is [illegible] in the fact that despite better tapping [illegible] [illegible] planted.

According to a [illegible] and [illegible] smallholdings are [illegible] what the Authority said "hard core" tapping problems. These include the advancing age of [illegible] owners, multiple ownership, the lack of family or hired labour, absentee landowners and the absence of proper land titles.

Although trade and family labs successfully introduced new replanting methods like grafting which replanting rubber estate development and consolidation [illegible] some of these issues [illegible] to be less than certain.

There are a host of [illegible] that have to be overcome before any of these schemes could be adopted on a large scale. Perhaps as the legal owners of the land have the final say in whether or not they should [illegible] [illegible] replanting. The feasibility of these schemes depends on the [illegible] the availability of proper ownership [illegible] and local leadership.

But with the number of smallholdings being [illegible] increasing [illegible] policy will have to be adapted to facilitate [illegible] [illegible] to wait for [illegible] even there for the [illegible] legal [illegible] reduces to be completed.

A senior official of the Malaysian Rubber Development Corporation says the social and economic values of the rubber [illegible] are changing. As the [illegible] [illegible] [illegible] more than tapping rubber.

It adds that time has come for agencies responsible for promoting rubber production to put into use all the innovations that they have developed including improved tapping and latex collecting methods.

Another rubber trade source says while the question of competition has almost disappeared, Malaysia cannot afford to remain complacent if it wants to retain its position as the leading supplier of natural rubber.

He points out that other producers are taking advantage of the rising demand to increase their output. He notes that even Brazil is said to be making attempts to revive its industry.

Eliminating commercial exploitation of high yielding bearing clone like guayule may become viable although it is too long after examining the progress of guayule research pointed out that hevea rubber would for a long time remain a premium quality elastomer.

While it may appear that the rubber trade is being [illegible] [illegible] about the short term response of rubber producers to the booming market, the possibility that Malaysia may not be able to raise production adequately cannot be discounted.

The current booming market should therefore be treated as a time to implement with all out vigour the dynamic production policy and its related programmes.

CONTENTION OVER SITING OF RUBBER HEADQUARTERS

Kuala Lumpur NEW STRAITS TIMES in English 15 Feb 80 p 6

[Article by V.G. Chin]

[Excerpt]

A FIGHT is shaping up between the producers and consumers of natural rubber over the siting of the headquarters to be set up under the International Natural Rubber Agreement.

The United Kingdom wants the headquarters to be in London while Malaysia, supported by the other producers, prefers it to be in Kuala Lumpur.

The British contention is that London is the best place since it has the expertise to do a proper job.

So far the British government does not seem prepared to give way on this issue and its stubborn attitude may cause unnecessary misunderstanding with Malaysia.

London may be a centre of world finance and commodity trading but if producing countries like Malaysia are not given an opportunity to prove themselves, they will continue to lack the expertise on which London stakes its claim.

It may be necessary for the INRA Council to put the issue to a vote at its next meeting if it is not resolved by then.

Any nation wishing to qualify must be able to muster at least a two-third majority. The producers already have 44 per cent of the votes. The consuming country with the largest percentage of votes is the United States, which has 37 per cent.

As for the other consuming nations, Japan has about 10 per cent while Britain has only five per cent, the same as France.

Malaysia was the first country to ratify the agreement. Primary Industries Minister Datuk Paul Leong Khee Seong signed it during his visit to the United States a few days ago.

Apart from visiting several organisations dealing with natural rubber, he also had several sessions with senior US officials including Agriculture Secretary Mr Bob Bergland.

Datuk Leong would no doubt have used the meetings to impress on the US officials that Malaysia and the producers attach great importance and significance to Kuala Lumpur being chosen as the headquarters.

So far the US response is said to be favourable to the producers. Of course this will depend on how hard the British will push the issue. Otherwise, Malaysia is assured of the American votes.

But it is likely that even with American support the British will still fail to win, since they cannot get all the consumers' votes.

Japan will definitely lend its support to the producers as it is doing in the International Tin Council. Its insatiable appetite for Asean's raw materials leaves it little choice.

As the world's largest natural rubber producer, Malaysia has more reason than anyone else to want to host the headquarters.

And as a nation which produces not even an ounce of natural rubber, Britain should be the last in line to claim the headquarters. The rubber headquarters is something new and therefore creates no disruption or dislocation.

Malaysia and other producers are not unreasonable. It is not asking that the ITC headquarters be moved to Kuala Lumpur. The fact that another six commodity organisations also have their headquarters in London is not that important a factor.

The British have cited their expertise as a criterion for London to be the choice. If this is so, then the United States or Japan are in a better position to claim it for New York or Tokyo.

The British seems to be behaving in the rubber industry exactly what the Americans are doing in the ITC — and that is being difficult. The Americans have been very irritating in the producers in the ITC meetings, especially in their attitude towards a more realistic price range for tin.

Malaysian officials have tried to reason with the British but to no avail. Malaysia is very puzzled by this adamant attitude since this is not an issue in which a principle is at stake.

Sources say that before Britain tries to block Malaysia from achieving this objective, it should first consider its action carefully since it still has vast interests in the region.

British corporations can still make a fantastic amount of money in the region, not only from plantations, but in other commercial areas as well.

It is time for the British to realise that developing countries are interested in a bigger slice of the financial action and would like to move more organisations to their own cities wherever possible.

MALAYSIA

ADB LOAN FOR AGRICULTURAL DRAINAGE PROJECT

[illegible] Company [illegible] [illegible] in English, 1 Feb 00 p. 4

[illegible]

The Asian Development Bank has extended a loan of [illegible] million to Malaysia to fund drainage improvement projects covering [illegible] hectares that is expected to benefit some [illegible] people in Johore, Kedah, Perlis, Pahang, Selangor and Terengganu.

The loan is repayable over 30 years including a five year grace period and carries an interest rate of [illegible] percent a year.

The project aims to raise the incomes and standards of living of the beneficiary rural households, [illegible] of which have a high incidence of poverty, with average holdings of less than [illegible] hectare. The total project benefit works out to [illegible] per person.

The project, termed the Agricultural Drainage Project, will improve around [illegible] of agricultural land by rehabilitating drainage facilities and improving existing ones.

When the project is completed in [illegible] it is expected that the average income of a typical farm household with [illegible] hectares of land will rise from [illegible] to [illegible] a year.

The project is anticipated to boost agricultural production to [illegible] million tonnes annually, mainly due to increases in average yields resulting from [illegible] demand for rubber to [illegible] per cent by [illegible].

Two departments in the Ministry of Agriculture have been appointed to execute the project.

[illegible]

FOREIGN INVESTORS ON DETAILS TO PLANS FOR LABUAN SMELTER

[illegible] Company Investment [illegible] in English 5 Feb 80 p 1

[Article by Hardev Kaur]

[Text]

With all the interest in establishing an aluminium smelting plant on Labuan Island remaining alive the final decision appears to hinge on whether or not an adequate supply of energy can be guaranteed.

The report of a feasibility study carried out by Alpinalum Pechiney of France and Hyundai of South Korea indicates that for the project to be viable it has to have the capacity to produce 150,000 tonnes of aluminium per year.

But gas as offered by Petronas is understood to be enough to generate energy to produce much less than the optimum level.

Petronas has offered sufficient gas to generate 100 MW of electricity. The situation is further complicated as the Sabah government wants 17 MW of the electricity to be used for general consumption. This leaves the proposed smelter with less MW which is enough to produce only 110,000 tonnes of aluminium a year.

Business Times learnt in Kota Kinabalu recently that negotiations were in progress and the prospects of a compromise being reached has not ruled out.

Datuk Harris Salleh, the Chief Minister, said that he was taking personal interest in the project.

It is understood that the Sabah government together with Petronas and Shell conducted a survey to get a more accurate assessment of gas deposits in the Samarang and Erb West fields.

These two offshore oil fields would supply gas for power generation for the smelter amounting to about 80 million cubic feet a day.

The initial report prepared by Pechiney was based on a 150,000 tonnes of aluminium which needed about 400 MW of electricity.

The proposed project is estimated to cost $1.6 billion. This does not include the cost of the power station, the gas gathering pipeline and other infrastructure facilities. The total cost could easily come up to about $3 billion.

It is generally believed that the financing of the project would depend on the prospective purchasers of the metal signing long term contracts so that the backers of the project would be assured of reimbursement.

The alumina, the raw material from which aluminium is extracted, might be imported from Australia and Japan. The metal would most likely be sold to Japan, Korea and South East Asian countries.

In view of similar projects being planned in Australia and China, it is essential that a decision is arrived at soon regarding the project in Labuan. Pechiney has just signed an agreement with Indian authorities to examine the feasibility of a plant to utilise the large bauxite deposits available in Orissa, an east coast state overlooking the Bay of Bengal.

It has been reported that the implementation of the project could run into uncertainty if the federal government's approval is not forthcoming soon.

The project's financial backers are understood to have told the state government officials that they might not be in a position to resize the new heavy funds if the project is slow in getting off the ground.

According to project [illegible] the Adaro [illegible] will be short of about one million tons of aluminium annually in the 1980s. Japan itself would need to import upwards of one billion tonnes of aluminium a year in the current decade.

The project could be in operation by early 1982 provided a decision is reached by early this year. It is expected to provide employment to some 1,000 people including 300 engineers.

Besides the project in Sabah, another aluminium smelter is expected to come up in Bintulu, Sarawak. The project, which is being developed by the government in conjunction with Reynolds of the US, is likely to cost about $1 billion.

[illegible]

USSR-MALDIVES CULTURAL, SCIENTIFIC AGREEMENT SIGNED

Rangoon THE WORKING PEOPLE'S DAILY in English 8 Apr 80 p 6

[Text] Male (Maldives), 6 Apr - The Soviet Union and the remote Indian Ocean Island Republic of the Maldives signed a cultural and scientific agreement in Male today, it was officially announced.

Under the agreement the Soviet Union has offered to provide Soviet know-how to improve the island's communications, television, tourism and radio engineering, a Government announcement said.

A number of Russian-trained doctors and technicians are already in the Maldives.

Former Maldives President Ibrahim Nasir announced in 1977 that he had rejected a Soviet offer of one million dollars a year to lease the former British airbase on Gan in the southern Maldives.

He said the Russians wanted to use the atoll as a repair base for their fishing fleets in the Indian Ocean.

Strategically important Gan is less than 100 miles (480 kilometres) from the US Diego Garcia military base in the Indian Ocean.

CSO: 4220

TRADE SURPLUS WITH TIBET NOTED

Kathmandu THE RISING NEPAL in English 6 Apr 80 p 1

[text] Kathmandu, April 5: Nepal's exports to Tibet Autonomous Region of the People's Republic of China exceeded imports from the region by 10 million 561 thousand and 488 rupees in the last fiscal year, it is learnt from the Trade Promotion Centre, reports RSS.

According to the centre, various goods worth about 25 million 859 thousand and 527 rupees were exported to Tibet Autonomous Region through the customs office of Tatopani in the fiscal year 1978-79. Imports to Nepal from the Region stood at 15 million 116 thousand and 46 rupees during the period.

Export to the region had exceeded by 11 million 25 thousand and 167 rupees in the fiscal year 1977-78.

Rice, sugar-cane, peanuts, egg, soyabean beaten rice, chilly, ginger and jute products constitute Nepal's major export items to the Tibet Region. Other items include herbs, candle, aluminium goods, corrugated sheets and tobacco.

Similarly, Nepal imports raw wool, yak tails, goats, bedsheets, blankets, shoes, tea, machinery, stationery goods, nail and silverware from the Tibet Autonomous Region.

According to regulations, businessmen engaged in export and import between Nepal and Tibet should get their names registered in the Department of Commerce.

CSO: 4220

ECONOMIC CONDITIONS WILL CONTINUE TO IMPROVE

Kathmandu BUSINESS TIMES in English 7 Feb 88 p 5

[Article by Aditya Man Shrestha in Kathmandu]

[Text]

[illegible]

[illegible]

SOMARE GOVERNMENT FALLS, CHAN NAMED PRIME MINISTER

Jakarta KOMPAS in Indonesian 13 Mar 80 pp 1, 13

[Article: "Somare Government Falls Because His Leadership Style Was Not Consultative"]

[Excerpts] The transfer of authority from Prime Minister Michael Somare to Sir Julius Chan apparently will not cause any disruption in domestic affairs or in overseas relations. Observers in the capital of Papua New Guinea on Wednesday [12 March] felt there might be a difference in style of leadership and emphasis but not in basic policy.

Somare's government fell on Tuesday after it failed to win a vote of confidence in the PNG Parliament which questioned his leadership. Julius Chan said his foreign policy will not be the same as that of Somare who indiscriminately tried to be friendly with all nations. He said PNG must choose its friends on the basis of economic and security issues important to PNG alone.

It is known that Julius Chan and Somare heretofore were close personal friends although they belonged to different political parties. Sir Julius was a close personal assistant to Somare during the difficult times of 1972-75 when PNG was preparing for independence. Even after independence on 16 September 1975, Sir Julius unremittingly continued to support Somare.

Sir Julius was a respected minister of finance. He became deputy prime minister in August 1977. The close cooperation between the two men ended in November 1978 when Julius withdrew his party, the People's Progress Party (PPP) from the coalition with Prime Minister Somare's Pangu Pati [Papua and New Guinea Union] Party. Sir Julius felt there was little consultation with fellow comrades in the coalition.

In his personal life, Julius Chan is a successful businessman. His name is fairly well known in business and international finance communities.

He is a devout Catholic and has five sons. He comes from a mixed Chinese and Papuan background. Initially his ancestry was felt to be an obstacle toward achieving the highest position in the political field. Apparently, however, it has made no difference at all.

The new Papua New Guinea prime minister said his first step will be to start a dialog with Australia which had "mothered" PNG prior to its independence. Most of the aid to PNG has come from Australia up to now.

Aid is believed to be behind Sir Julius' attempt to foster close relations with Australia. Voices have been raised recently in Canberra asking that aid to PNG be cut since PNG has begun to produce a reasonable amount of revenue, mainly from copper, gold, and copra. The country's financial condition is relatively stable.

According to records, each year from 1976-77 to 1980-81 PNG has received $180 million in aid under a 5-year agreement with Australia, plus other aid obtained following annual discussions. This fiscal year is the final year for that aid under the agreement which the new prime minister will try to renew for the maximum amount possible.

The vote of no confidence on Tuesday was the fourth faced by Prime Minister Somare in the past 18 months. Sir Julius Chan along with his PPP helped Somare in the previous votes. Recently Somare was judged to be too harsh in heading the administration. He often made promises or spoke flatteringly, [but] failed to invite his cabinet members in for consultation. His style of leadership generally was criticized by both his own party and the opposition.

Still, the direct reason for the split between Julius Chan and the PPP on one hand, and Somare and his group on the other, was Somare's March 1978 announcement of a package of anticorruption measures to control corruption in government circles, and the growth of elitism in private business circles. One of the controversial aspects of these measures was the choice which had to be made: all ministers and heads of government agencies were required to sell all of their business interests or retire from their government positions. This also covered their wives and children under 18 years of age.

Somare announced that all business licenses and other concessions preferences would be issued to businesses which were by nature communal rather than individually owned. This measure was instituted to prevent the formation of elite business groups or private companies.

However, in preparing this package, Somare did not consult with Deputy Prime Minister Julius Chan and his PPP who were known to lean toward supporting the development of private businesses. Therefore, they felt Somare's measures were in conflict with the spirit of coalition. An irreparable break developed in the following 6 months. Although Somare and Chan personally are not enemies, there is tension between them.

6804
CSO: 4211

[illegible] ADMINISTRATION [illegible] CONSERVATION DRIVE

[illegible] Ferdinand Marcos

[illegible] Tribune (in English) [illegible] p. 10

(text)

MANILA Feb 6

PRESIDENT Ferdinand Marcos today announced widespread energy conservation moves in the Philippines starting with cutbacks in the use of government and military vehicles, staggered work hours and restrictions on air conditioning.

A radical serious conservation programme is to be initiated by the government, Mr Marcos told reporters after a special Cabinet session which reviewed the impact of rising oil prices on the economy.

As well as increasing much higher prices for petrol, Mr Marcos said that if fuel reserves fell much below the present 100 day reserve, rationing would have to be introduced.

It was the first Cabinet meeting since last week's local elections in which the President's New Society Movement (KBL) won its expected overwhelming victory.

Mr Marcos said he had ordered all government departments to cut back expenditure by 10 per cent to meet a one billion pesos (nearly three times the KBL's annual revenue) rise in oil bill caused by rising costs of imported oil.

Government vehicles will now need special authorisation for trips abroad, and all military vehicles will need authorisation for every journey.

Lighting in government departments will be rationalised and air conditioners can be used only if the temperature is above 26 degrees Fahrenheit (80 F).

The President said the government was considering staggering work hours in Manila in an effort to reduce fuel consumption, and a Cabinet committee would investigate the possibility of staggering government office and school hours to reduce fuel [illegible] Reuter

Investors Reassured

East Compact Southern Times in English 7 Feb 80 p 20

[text]

MANILA, Feb 6

ENERGY Minister Hernando Velasco today assured investors that enough oil would be made available for new industrial projects despite the government's decision to limit domestic consumption in a move to offset the rising prices.

Our idea of conservation is not restriction production but producing more with the same amount of energy, the Minister told reporters.

In announcing new conservation measures which reduced fuel consumption in the late hours, the Ministry yesterday disclosed that last year's consumption of 84 million barrels was up by 14 per cent at a cost of 1,865 billion compared to the 1974 oil bill of just over 1[illegible] million.

Among conservation methods announced were new energy taxes on cars and an anticipated rise in the cost of fuel at the pumps, perhaps by as much as 1[illegible] pesos (1[illegible]) a litre for premium on the president (here peso [illegible] cents) a litre price.

Use of government and military vehicles is to be restricted and [illegible] are being placed on use of lights and air conditioning in government buildings.

By the end of last year, the Philippines was getting more than [illegible] barrels daily for the first time from its own new offshore resources. [illegible] it looks to double by the end of this year. It is also speeding up use of non-oil sources, especially geothermal for power production.

The Philippines will raise the price of its own crude oil to 1[illegible] pesos a barrel to keep up with the prevailing world market, Velasco said.

The Philippine National Oil Company (PNOC) said the new price represented an increase of 1[illegible].

The Philippines started producing crude from wells off Palawan Islands, 350 miles southwest of Manila, last year. The PNOC buys the whole output, about [illegible] barrels daily late last year, and imports some 1[illegible] barrels a day.

PNOC did not disclose the effective date of the new oil price which approximates that of crude it imports from Saudi Arabia and other producing nations. Reuter, AFP

PH REACH IN BALANCE OF PAYMENTS [illegible]

Kuala Lumpur BUSINESS TIMES in English 1 Feb 80 p 16

[illegible]

MANILA Jan 31

The Philippines overall balance of payments fell into December widened to [illegible] million from [illegible] million in November and compared with [illegible] million in December 1978 central bank figures showed.

This brought the fall for the whole of 1979 to [illegible] million up from [illegible] million in 1978.

The visible trade deficit in December widened to [illegible] million from [illegible] million in November and [illegible] million in December 1978 bringing the deficit for the full year to [illegible] million (illegible million).

Imports in December were [illegible] million ([illegible] million and [illegible] million) making a 1979 total of [illegible] million ([illegible] million).

The surplus on invisible trade and transfers in December rose to [illegible] million from [illegible] million in November and [illegible] million a year earlier giving a 1979 surplus of [illegible] million ([illegible] million).

The current account deficit in December was [illegible] million against [illegible] million in November and [illegible] million in December 1978 giving a full year deficit of [illegible] million against [illegible] million in 1978.

The short term capital outflow plus errors and omissions showed a surplus in December of [illegible] million up from [illegible] million in November and a deficit of [illegible] million in December 1978 giving a surplus for the full year of [illegible] million ([illegible] million).

The December long term capital accounts showed a deficit of [illegible] million against surpluses of [illegible] million and [illegible] million giving a full year surplus of [illegible] million ([illegible] million).

The overall balance of payments figures do not include the reserve effects of revaluation of central bank gold holdings and allocations of special drawing rights.

The Philippines central bank has negotiated a [illegible] million loan from a consortium of 18 foreign banks, banking sources said.

The loan is for 10 years including a five year grace period and is at 0.[illegible] per cent over London Interbank offered rates (Libor) they said.

The bank was seen as securing foreign financial markets where terms appear to be stiffening and if they suspend future syndicated foreign borrowing programme they added.

The programme enables domestic companies to obtain dollar loans at lower rates than they could borrow by themselves or by borrowing from the central bank. Under it borrows in bulk under its own liability.

The bank planned to borrow [illegible] million this year to lend as it did last year. Reuter

BATAAN PROCESSING CENTER FACES CHAOS

Kuala Lumpur BUSINESS TIMES in English 1/ Feb 88 p 6

[Article by Edwards Lacson in Bataan, Philippines]

[Text]

A SMALL town is rising rapidly in this remote corner of South East Asia, offering new hope and better conditions for thousands of Indochinese refugees awaiting the chance to resettle in other countries.

By the end of this month, some 10,000 of them — brought here by plane and Philippines navy ships from all over the region — will be resting and working here. More than 1,000 arrived from Malaysia last week.

"Calling it a refugee processing centre is a misnomer. I would prefer to call it the preparatory centre. Here we will try to prepare the refugees to become worthy citizens of their adopted countries," said retired Philippines major general Hildecuto Tobias, head of the National Housing Corporation which supervised the construction.

The new processing centre of the United Nations High Commission for Refugees (UNHCR) has been created in just a few weeks on the Bataan Peninsula, about 80 miles (130 km) west of Manila.

Supported by international donations with the US and Japan providing more than half the funds between them, the centre will alleviate the cramped conditions of refugee camps around the region, now holding 50,000 refugees. That figure does not include perhaps hundreds of Cambodians along the Thai border who may eventually go home if peace comes to their shattered country.

The centre here is essentially a temporary holding place for the hundreds of Asia's uprooted — Vietnamese, Chinese, Khmers, Laotians and Indochina's mountain people like the Hmongs — who have been promised resettlement in other countries.

Here they will wait for all the red tape to be cleared so they can take up the resettlement of life and prepare themselves psychologically and culturally for the great changes in their lives, learning new languages and the customs of their adoptive countries.

"Thank you for everything. We are very happy. We have no problems," a spokesman for the first batch of refugees, Hung Tran, 28, told reporters who came to inspect the facilities.

Mr Tran, once a glass cutter in Cholon — the Chinese suburb of Saigon (now Ho Chi Minh City) — said that coming to Bataan had considerably raised the morale of the refugees.

Bataan is one of two processing centres which the UNHCR is setting up following offers from the Philippines and Indonesia.

All costs will be borne by the international community, only those who have already been granted resettlement in third countries will be taken in and there will be no refugees left behind, refugee relief sources say.

A refugee official who asked not to be named said this was one of the most generous moves anyone had yet taken in Asia with an appalling problem that was expected to continue for a least five more years.

The centre here is being built in five stages. The first, at a cost of about US$10 million, is virtually complete and deadlines are in hand for the second stage — also for 10,000 people.

The second and subsequent stages — for a centre that will eventually hold 50,000 people — will be considerably less than the first because the bulk of the infrastructure has been paid for at the outset.

Bataan is designed as a series of communities in which families will be kept together and different ethnic communities will live in the same neighbourhood.

It comprises a cluster of 10 unit wooden barracks, set on concrete floors with cool, asbestos roofs.

In each unit, a family of between six and 10 will be able to live and cook for themselves the food given by the relief agencies.

The barracks are grouped around small, fenced paint parks. Each group has its own community toilet and laundry facilities and a classroom.

Recreation areas and halls are also being built.

The centre also has a complete medical and dental clinic with a hospital.

The centre will be staffed by some 400 Filipinos assisted by officials from the various nationalities, particularly the United States, which has undertaken to take in more than 100,000 refugees at the rate of 10,000 a month.

The first groups to come to Bataan began arriving at the end of January and are now living in almost daily batches from around the region.

The biggest group of 2,000 is expected from Thailand, about 1,000 from Hong Kong and 1,000 from the Philippines. — Reuter.

[illegible]

[illegible]

MANILA Feb 19

THE Philippines announced today a major step toward deregulation of investment by opening up many fields of manufacturing to marketplace competition.

As described by Economic Planning Minister Gerardo P. Sicat, the eventual aim is to end the practice of listing industries as "overcrowded" thereby prohibiting government approval of expansion and industrial projects in listed fields.

"Our own feeling is that these developments are essential in order to raise the level of efficiency of the industrial sector," Mr Sicat told reporters. "We now feel we have devised ways and means of stimulating private industry."

Industries removed from the list, which was begun a decade ago, include the manufacture of refrigerators and freezers, room air conditioners, radios, electric fans and irons and ranges. Storage battery manufacturing, flour milling, tin can manufacturing and soft drinks also were removed from the list.

The new guidelines also remove from the list such industries as car and truck assembly and steel making. But Mr Sicat said they still will be regulated by other government agencies.

Financial sources have revealed that the World Bank and its lending arm, the International Monetary Fund recommended easing restrictions on overcrowded industries, but Mr Sicat denied that the step was forced on the government.

"We believe that competition is a better guide to promoting industries," Mr Sicat said. "We felt the list had become a form of unwarranted protection."

Mr Sicat said industrialists and government officials have known for some time that the list was being revamped. Just last week Sycip Gorres Velayo and Company, a major Philippine consultancy, announced a deal with American Can Company for a US$20 million tin can manufacture project which would have been discouraged by the overcrowded current.

Mr Sicat said a handful of industries remains on the list, since they may not fall exactly under these proposed guidelines.

Reviews are under way on non-integrated paper plants, pencil manufacturing, sewing machines, paints and varnishes, printing ink, leather tanning, fluorescent ballasts and light bulbs, he said.

Basically, the government is scrapping the concept of "measured capacity" in which the overcrowded industries producing more than the projected domestic Philippine demand of a product.

"It seems a dynamic export policy is difficult to carry out under the 'measured capacity' idea," said Mr Sicat, a long time advocate of free marketplace.

He said President Ferdinand Marcos has decided the "new thrust of government economic policy will be to encourage new investments including additional foreign investment.

"The President feels private sector initiative should be encouraged as much as possible."

Mr Sicat, a graduate of Massachusetts Institute of Technology, is a long time advocate of less government regulation, but he said the Marcos regime delayed in moving because there was "no clear cut unanimity" on the question.

"The thinking changed gradually," Mr Sicat said. "We now feel the overcrowded list is an impediment to additional investment and ... is a protection that has prevented the entry of new competition." — AP

[illegible] — [illegible] DEVALUATION OF PESO

[illegible] [illegible] BUSINESS TIMES [illegible] English [illegible] Feb 80 p 20

[illegible]

SINGAPORE, Feb 14

[illegible] bank said there is a strong probability the Philippines will devalue the peso by 10 to 20 per cent sometime during 1980.

In a report on Asian economies the bank said a devaluation would help boost flagging exports as the world economy begins to recover from the expected slowdown in 1980.

"We anticipate a devaluation of 10 to 20 per cent around mid-year 1980 prompted by the Government's need to boost exports," the report said.

Although half of the Philippine's exports are primarily products priced largely in dollars, exports of manufactured goods will undoubtedly benefit from a devaluation, the bank said.

While the peso is officially a freely floating currency, the Philippine authorities have maintained a fairly steady peso dollar rate for the past few years failing to reflect the nation's inflation and current account developments, it said.

The new peso dollar exchange rate may not officially be termed a devaluation but will probably result from the planned shift to a basket of currencies to determine the peso's value, Chemical said.

In US dollar terms, exports next year can be expected to rise by only about 5.5 per cent as imports increase around 15 per cent, Chemical Bank said.

A surplus in net service and transfers will partially offset the trade deficit and result in a current account shortfall of roughly US$1.7 billion up from US$1.4 billion last year.

Chemical estimated the Philippine trade deficit will widen this year to US$4.1 billion on an FOB basis from US$3.7 billion last year.

The bank noted the Philippines experienced a substantial increase in its trade and current account deficits in 1979 although exports grew at a rapid 24 per cent rate in dollar terms.

The lifting of government price controls in June 1979 and last year's oil price increases resulted in an 18.8 per cent increase in the consumer price index.

But in 1980, the inflation rate should decline somewhat as the effects of the ending of price controls dissipate and relatively restrictive credit conditions continue, it added. — Reuter

[illegible]

[illegible]

[illegible]

[illegible]

[illegible] A MODEL FOR PETROCHEMICAL COMPLEX

[illegible] Lumpur [illegible] Times in English 3 Feb 80 p 6

[Article by Francis Lim]

[illegible]

[illegible] is a crisp two degrees Celsius morning, with traces of spring whistling [illegible] swaying Ancasal Airline when the train pulls up.

One and a half hours away by rail from Tokyo, the former sleepy fishing village is now a bustling town like the others found in the hinge shaped industrial belt skirting Tokyo Bay. The station platform provides a guide. Once marked the shoreline of Ancasal.

Ancasal grew in step with the steel mill, development of the refining petrochemical complex of the Chiba industrial area, located by the Tokyo Electric Power plant in the north east. And the Sumitomo Chemical petrochemical plant further south.

These major petrochemical complexes are situated here, including those belonging to Sumitomo, Maruzen Petrochemical and Idemitsu Petrochemical with their attendant refineries, electric power stations and upstream and downstream plants.

Their presence in the village is almost obvious. Huge cylindrical chimney stacks can be seen from the station discharging great volumes of smoke and [illegible] gases into the cold wintry air.

The Sumitomo heads for one of these tall monolith type structures which [illegible] the Sumitomo Chiba petrochemical works.

Stepping into the Chiba works of Sumitomo is like taking a step into Singapore in the [illegible] in many aspects. The 200,000 tonne ethylene plant here (one of two Sumitomo has in Chiba) seems to be the model upon which the Republic is basing its Pulau Ayer Merbau complex.

The differences between the two are negligible when one looks at the plant closely. For instance, Sumitomo leads the Japanese consortium involved in the Singapore project of similar capacity. It continues to apply the Chiba formula of employing Kiyo and Webster, an American engineering firm for the basic plant design, and Japan Gasoline Corporation as the main contractor, to the Singapore project. Given the proposed first phase downstream processing plants resembling those in Chiba.

It is almost as though the Japanese are trading [illegible] their plant exported to Singapore albeit with one important exception — the Pulau Ayer Merbau plant will be more cost competitive which will enable them to maintain an edge over competitor suppliers in South East Asia who include the US and Europe as petrochemical producers.

This is a pertinent point as Sumitomo itself the veteran in the Singapore project, has as much at stake in South East Asia as the other Japanese participants. According to the latest [illegible], Japan's petrochemical exports [illegible] from 45 billion yen in 1978 to 65 billion yen in 1979, 1980 and 1981 respectively.

The South East Asian region is undoubtedly its major export market accounting for 43 per cent of the chemical/petrochemical exports in 1979, followed by Europe (15 per cent) and the US (7 per cent). Greater competitiveness in petrochemical products via Singapore will put Sumitomo and its partners in a better position to boost regional sales as well as exports to the US and Europe.

There is substantial evidence to back this up. Sumitomo, for example, has shut down its older 150,000 tonne ethylene plant at Chiba not so much for the often expressed reason of excess capacity in Japan but apparently because it is less efficient and thus no longer cost competitive.

Other Japanese petrochemical companies too have similarly shuttered inefficient plants.

In Sumitomo's official books, its involvement in overseas ventures, which includes setting up petrochemical plants in Singapore and Brazil, was made in the name of international cooperation and for effective utilisation of natural resources, labour, markets etc.

This could be liberally interpreted to mean that Japanese petrochemical producers are now resorting to more cost efficient operating centres such as Singapore and the Middle East, Iran (where Mitsui has its plant) and to Saudi Arabia (where Mitsubishi has its own). Relocation will give these offshore plants more constant and cheaper raw material supplies.

Certainly, Sumitomo and its Singapore partners (the Government and Development Bank of Singapore) are gearing up the petrochemical plant at Pulau Ayer Merbau to be efficient and high yielding.

Under Petrochemical Corporation of Singapore (or PCS, the joint venture parent company), LPG will be used as a source of cheaper and more efficient main feedstock.

PCS's earlier plans were for the central upstream cracker to use

naphtha and gas oil [illegible] diesel from Singapore oil refineries. The Japanese advisers of the project have since ruled out gas oil as a feed stock for the Singapore project because of its lower ethylene yield and instead are going ahead with an alternative [illegible]

Questions addressed to Chiba indicated that the petrochemical complex there has been using as much [illegible] as the existing plant will allow when with naphtha prices increasing. But even then the produce design of the ethylene plant in Chiba is such that there is a limit to the naphtha [illegible] Chiba can use up to a maximum [illegible] per cent [illegible] for total feedstock requirements.

Accordingly, the Singapore project has a provision design which allows greater use of [illegible] than the Sumitomo plant at Chiba. The indications are that the Ayer Merbau plant can use up to 90 per cent [illegible] which gives it greater leeway should naphtha prices continue to rise.

It is understood that some arrangements have been made for a pipeline to link the Singapore plant to naphtha and LPG supplies that include Esso Singapore at Ayer Chawan and Singapore Refining Company at Ayer Merbau.

Supplies from Shell on Bukom will probably be delivered via tankers. [illegible] is building large volume tanks to receive such supplies. These include 4 x [illegible] storage tanks (for naphtha) and 3 x [illegible] storage tanks for LPG.

Apart from feedstock flexibility, the Singapore project is also planned to be more technologically advanced than that in Chiba.

A computer control system for instrument is being prepared for the [illegible] plant in Singapore whereas Chiba does not have this.

A highly advanced fire alarm/detection system is also being incorporated for the industries in Singapore, possibly involving flame/heat sensors.

This does not however imply that the existing Chiba Works is lacking in modern fire protection.

During the 40 minute drive around the Sumitomo Chiba Works, there was a noticeable absence of any one of the over [illegible] workers in the complex not because of the [illegible]. All the engineering installations are in their respective control rooms [illegible] dials and pushing button controls — a guide as [illegible].

Perhaps another test similar to the close relationship between Sumitomo Chiba Works and Singapore is the fact that the first lot of local engineers technicians and [illegible] to arrive at Chiba this November for on the job training of between four and six months.

Following this the engineers will be involved in the training of other operators back in Singapore as well as in the testing of equipment and facilities being installed at Ayer Merbau.

With the tempo of work building up on the Singapore project, completion is anticipated to begin in April. Singapore officials of [illegible] are being stationed at a new [illegible] office recently set up in the Sumitomo Bank Building in Tokyo.

It is fitting that Chiba, after the [illegible] visit to the Sumitomo Works, made despite the lukewarm reception of [illegible] and miles of pipes stacked only to plastic by the [illegible] plants, a [illegible] recently [illegible] indicates that Chiba Works never always [illegible] Singapore [illegible]

EXTENT OF DROUGHT, RELIEF EFFORTS REPORTED

Bangkok SIAM RAT in Thai 11 Mar 80 pp 1, 12

[Article: "Intense Drought Affects Agriculture 61 Provinces Lack Water"]

[Text] The weather is abnormal. Officials have released figures showing that at present, throughout the country, 61 provinces are experiencing drought. Seven provinces have asked that the government seed the clouds. As for the Ministry of Interior, only 17 provinces have filed reports since the ministry ordered the governors to submit plans to quickly solve the problem.

Mr Netha Ratchatabili, the head of the Artificial Rain Office, disclosed that based on a survey of the various provinces throughout the country that are experiencing problems from the unusually early drought conditions, from the end of the 1979 planting season to the present, it appears that at least 61 provinces have encountered drought. Seven provinces have already asked that the clouds be seeded, the seven provinces being Chanthaburi, Trat, Ramong, Nakhonsawan, Chumphon, Trang and Phachuapkhirikhan.

Mr Detchat Wongkomongchai, the deputy undersecretary of the Ministry of Interior, told a reporter that at the end of last week, a conference was held with the governors of 17 provinces who had reported losses from the drought and shortages of water. The result of the conference was that the governors were ordered to again submit plans for creating jobs in their provinces so that the people will have jobs and in order to solve the problem of people migrating to the capital.

Mr Detchat also stated that as for the area that has sustained losses from the drought, at present, the reports received from the 17 provinces show that approximately 1.5 million rai

have been damaged and other reports are coming in continually. As a first step, the provinces that have problems must coordinate things with the Irrigation Department in order to request initial help. As for the help provided by the Ministry of Interior, during this stage it will provide 120 million baht from the budget to help solve the problems mentioned above.

The deputy undersecretary of the Ministry of Interior also stated that as for provinces that are experiencing problems and that need immediate help, the provincial governors already have the power to use up to 1 million baht. As for providing food, the Public Welfare Department will distribute rice and consumer goods to the people during the next stage.

The provinces that have reported losses and that need help include Ratburi, Nakasin, Nakorsanthom, Khon Kaen, Uttradit, Ubon Ratchathani, Yasothon, Lamphun, Ayuthaya, Uthai Thani, Chaiyaphum, Kanchanburi, Nakhon Sawan, Singhburi, Nong Khai and Udorn Thani. In particular, Ubon Ratchathani alone has requested 10 million baht in aid. Other provinces that have recently reported losses and requested help include Chumphon, Samutsonghkram, Chanthaburi and Loei.

(TVL)
(Bangkok Post)

THAILAND

FORMATION OF NORTHEASTERN MP GROUP REPORTED

Bangkok TAWAN DAILY in Thai 9 Dec 80 p 2

[Article: "A Northeastern Group of Representatives"]

[Text] Mr Anwat Watanapongsirl, the deputy secretary of the Chart Thai Party, told a reporter that northeastern members of the House of People's Representatives from all parties, a total of approximately 80 people, held a conference and agreed to establish a group composed of northeastern members of the House of People's Representatives. Mr Anwat was elected the temporary head of this group.

On the same occasion, the deputy secretary of the Chart Thai Party said that the reason for establishing a group composed of northeastern representatives was to establish a relationship between the representatives from the same region and cooperative among with each other in developing the northeast. Achievements have already been made concerning small-scale irrigation projects. As for future projects, what projects will be carried out depends on the deliberations of the [executive] committee of the group.

Some news reports have stated that this group composed of representatives from the northeast has been formed in order to serve as a political force in bargaining so that the government provides more support for and develops the northeast. If the representatives do not join together, they will carry on in their separate ways and will not be able to bargain at all.

As for this idea of forming a group composed of northeastern representatives in order to have it serve as a political force in promoting the development and growth of the various

provinces in the northeast, even though it is an idea that starts with good intentions -- the desire to promote the development and growth of the rural areas and to improve the lives of the people -- and although the originators have already carried out some things, at the same time, there are several problems that we feel should be discussed carefully.

In particular, this may have an effect on the political party system, which is in its infancy. Besides this, if the representatives from the other parties all have the same views, they may form groups of representatives in order to serve as a similar political force and bargain with the government for special support in developing the provinces in their regions. And in the end, this may lead to a separation between the members of the House of Representatives who have been elected from the various parties.

11943
CSO: 4207

NONG KHAI REFUGEE CAMP OPERATIONS, REFUGEES CRITICIZED

Bangkok DAO SIAM in Thai 17 Mar 80 pp 5, 3, 14

[Many Problems Column by Chuphan Nanitu]

[Text] To Mr Chuphan Nanitu

Sir: I, my parents and my grandparents are pure Thai. The thing I want to tell you is as follows:

I had a chance to visit Nong Khai Province and went to see the Lao refugee camp. I drove a car to one camp and rode through it with a person from Nong Khai Province who took me to see the devastation caused by a fire.

But I did not say anything but just thought about matters. I asked my guide about things and he told me that, concerning the fire at the Lao refugee camp, instead of being sorry, the Lao people were not [sorry or] afraid at all.

They do not do any work. All they do is eat and sleep. They are better off than the Thai people, who are the owners of the country.

Some evenings they go to play tennis at Nong Khai. At the camp, there is a soccer field and they play badminton and takro [a ball game]. In the afternoon, they go into Nong Khai and stroll about almost everywhere, returning to the camp in the evening.

Whether they all return or not I don't know. What is sadder is [what happened]

On 4 March 1980 at approximately 1100 hours. I forget the name of the street and the name of the shop. I forget the names and did not write them down but when I returned to Bangkok I wanted to write to you.

A group of them, three women and five men, were drinking whisky. They took some chairs and put them out on the sidewalk. They sat there drinking, listening to music and kissing each other right there in public.

People from nearby shops came and watched them but no one said anything. A police motorcycle passed by but the police ignored them.

From this, I would like to ask you the followings

1. This did not happen just the one day that I was there. It happens almost every day. This kissing, drinking and loud singing is very disturbing to others. Where does the governor of Nong Khai Province sleep?

2. Such actions clearly harm the morals of Thai people. What would you do?

3. Are those in control of this group going to allow them to continue living in Thailand? Wouldn't they be chased away as quickly as possible? They have no love for their own country and so how can they have any love for Thailand?

4. After the fire, a provincial red cross unit, I do not know which unit or when, brought so much food for them that they could not eat all of it and so they took it and sold it for cash. There are many Thai people, the owners of the country, who are hungry. Why is no thought given to them?

5. The fact is that some provincial level authorities have slept with Lao refugee women and some have even made the women their mistresses. Is this right?

I will not trouble you any further. I hope to receive a speedy reply from you.

Thank you

Mr Guin, Bangkok

Mr Guin, Bangkok,

Concerning the refugee problem that has burst upon us, at present, there are several groups who strongly oppose allowing the refugees to enter the country.

But at the same time, there are more groups that say that they should be allowed to enter the country for humanitarian reasons.

Our country is like a kind house and, therefore, at present, millions of refugees have flocked to camps throughout the country.

I have gone to visit the camps and have seen the situation. I must admit that they are in a pitiful state but, at the same time, when I saw that condition of the Thai people who are living near these refugee camps I felt very discouraged!

The refugees in the refugee camps lead a moderately good life. They have enough food to eat. The only thing they lack is freedom since they must remain in the camps.

Conversely, the Thai people, the owners of the land, who live near the refugee camps have freedom but, unfortunately, no food to eat.

In reality, the refugees who enter our country receive money from various countries but it is not enough to cover their expenses.

But concerning the money and gold that helped them come here, there are discouraging bits of information that some people helped them in return for money.

I do not know if this is the reason or not. The last government opened the door for all the refugees, stating humanitarian reasons for their action, in order to please the United States so it would contribute money.

Now there is a new government and I am sure that the policy concerning refugees will be changed.

In an interview, Mr Thanat stated that it is impossible to continue the present policy. Thailand is a poor country. The people, who are very poor, have been forced to act like a generous house. In the future, the Thai people will starve because they provided so much help to others that they themselves did not have any food. Therefore, this policy must be changed!

The border must be closed and the refugees must not be allowed to enter the country.

but it must be remembered that this is a difficult problem to solve. I do not know whether Mr Thanat will be able to adhere to this policy.

Because, the refugees generate profits for all the powerful officials and important people.

That is, there are benefits for all from top to bottom.

As for your questions, I should not say anything further because the problems that you mentioned are well known. As I said above, when refugees enter the country, certain benefits must follow. It starts with the valuables that the refugees bring with them, extends to their becoming tools to satisfy the desires and lusts of others and ends with the money budgeted to help them.

Yes, they bring such profits. Otherwise, why would they be allowed to come and go [across the border] as happens every day now?!

11943
CHO, 4207

INFLUX OF LAO REFUGEES DISCUSSED

Bangkok DAO SIAM in Thai 15 Mar 80 pp 7, 14

[Article: "Lao Refugees Flock to Ubon Province in Unusually Large Numbers"]

[Text] A reporter in Ubon Ratchathani Province has reported that, at present, large numbers of Lao refugees, mainly girls and elderly people, are entering Thailand through the Huaynan Pass in Phonam commune, which is about 10 kilometers from Buntharik district. This is causing amazement among Thai officials because, usually, only rarely do Lao refugees enter the country in this area. In particular, during February and March, 121 Lao refugees entered the country.

Government officials, including Mr Sangiem Kuangsam, the Buntharik district officer, have quickly gone to Nonsung village in Phongam commune, where the village headman of the village mentioned above has detained 40 Lao refugees who entered Thailand at approximately 2100 hours on 11 March. From the investigation concerning this group of Lao refugees, it has been learned that Mr Sorn Saenghaem, age 50, who is from Champassak Province [in Laos], is the leader of the group. Mr Sorn told the authorities that the reason they had fled to Thailand was that they could no longer endure the poverty. The authorities are trying to find a way to get these Lao refugees out of the area.

As for the refugees who have entered the country during this period, the circumstances are questionable because most of these refugees are young girls and elderly people. Also, from the investigations it has been learned that some of the Lao refugee groups bring goods with them and sell them. With the money, they buy medical drugs and consumer goods and then return to their homes, giving these things to their relatives and friends. They then reenter Thailand posing as refugees. The authorities are, therefore, seeking ways to prevent this.

[1943]
CSO: 4207

SALE OF 150,000 TONS OF RICE TO USSR

Kuala Lumpur BUSINESS TIMES in English 9 Feb 80 p 12

[Text]

BANGKOK, Feb 8

THAILAND has approved the sale of 150,000 tonnes of rice to the Soviet Union, trade sources said today, but the United States said it was satisfied Bangkok was cooperating with its grain embargo against Moscow.

The Hong Kong based Far Eastern Economic Review said yesterday Thailand had approved sales of 150,000 tonnes of rice and maize to Moscow despite what Washington thought was a gentlemen's agreement not to sell any more than 50,000 tonnes already negotiated.

That trade sources said today the Commerce Ministry had approved sales of 150,000 tonnes of rice in deals made before the Soviet intervention in Afghanistan, which prompted a partial American embargo on grain sales to Moscow.

The US State Department said last night it was satisfied with Thailand's cooperation with the embargo. It said Bangkok had agreed to sell no more than 50,000 tonnes of grain negotiated before Washington requested it support the embargo.

The trade sources said two deals had been concluded with Moscow. Half the first consignment — for 100,000 tonnes of rice worth nearly US$25 million — had left and was believed going to China.

The second agreement for the sale of 50,000 tonnes was probably destined for Vietnam, the Soviet Union's major ally in Asia which is faced with severe food shortages, but the terms of the deal were not known, the sources added.

Comment from the Commerce Ministry was not immediately available.

That Prime Minister Kriangsak Chomanan, who is also Agriculture Minister, did not directly comment on the reported sales today, but insisted Thailand would make its own decisions.

"Thailand supports what is right in this world, but nothing will dictate our decisions," he told reporters.

Meanwhile a source at the Tapioca Exporters Association denied the Far Eastern Economic Review's report that Thailand had sold 150,000 tonnes of tapioca to the Soviet Union for animal feed.

He said no direct tapioca sales had been made to Moscow, although the possibility existed that Thai shipments to international dealers could be diverted to the Soviet Union.

Tapioca exporters would have no control over such secondary sales, he said — Reuter

CSO: 4220

BRIEFS

BANGKOK POPULATION INCREASE--Bangkok has released figures showing that the population of the capital has increased greatly. It has not been possible to slow down the birth rate and, in particular, unprecedented numbers of people from other provinces have migrated to the city in search of work because of the hardships concerning the cost of living. This was disclosed yesterday (the 9th) by Mr Prachiet Sakunwong, the head of the Bangkok Municipal Administrative and Registration Division. The latest population figures for Bangkok collected at the end of January 1980, show a population of 5,013,321 people, 2,550,909 men and 2,462,412 women. It thus appears that there are 88,497 more men than women. This is an increase of approximately 200,000 people from 2 months ago. The head of the administrative and registration division stated that the reason for this is that the birth rate has increased. And besides this, it appears that people from other provinces have migrated to the city in increasing numbers each month in search of work because of cost of living problems and the problem of earning a living in other provinces. [Text] [Bangkok TAWAN SIAM in Thai 10 Mar 80 pp 1, 2] 11943

TRADE DEFICIT--The department that collects balance of trade statistics estimates that the balance of payments deficit will reach approximately 20 billion baht in 1980, which is an amount that the country will not be able to pay. As for the way to solve this problem, the department has recommended that a target be set and that the balance of payments deficit be reduced to approximately 8 billion baht by speeding up exports so that exports reach at least 130 billion baht and reducing imports to only 3.7 billion baht. This should be done along with increasing net income from services approximately 1 billion baht and encouraging private [businesses] to invest money in the country. As for increasing income from exports in accord with the above target, there must be a 15 percent increase in the amount of goods for export, except for sugar and rice, the export of which is expected to decline while prices rise. [Text] [Bangkok SIAM RAT in Thai 15 Mar 80 p 2] 11943

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